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CNIC INSTRUCTION 7000.3

From: Commander, Navy Installations Command

Subj: ACCOUNTING PROCEDURES FOR NAVY NONAPPROPRIATED FUNDS

Ref: (a) DoD FMR 7000.14-R of 4 Nov 2009
(b) DoD Instruction 1000.15 of 24 Oct 2008
(c) DoD Instruction 1015.10 of 6 May 2011
(d) DoD Instruction 1015.15 of 20 Mar 2008
(e) DoD Instruction 1015.08 of 23 Dec 2005
(f) NAVSO P-1000
(g) SECNAVINST 4001.2J
(h) SECNAVINST 5210.8D
(i) SECNAVINST 7043.5B
(j) SECNAVINST 7510.7F
(k) OPNAVINST 5009.1
(l) BUPERSINST 1710.11C
(m) BUPERSINST 7200.2A
(n) BUPERSINST 7043.1B

Encl: (1) Accounting Procedures for Navy Nonappropriated Fund Manual

1. Purpose. To provide nonappropriated fund (NAF) accounting policies and procedures for Commander, Navy Installations Command (CNIC) NAF accounting offices.

2. Background. Navy policy is to provide operational and support activities with essential CNIC mission support services, as well as produce programs that effectively contribute to the morale, well-being and quality of life (QOL) of Naval personnel and their family members. This instruction supplements NAF financial management and accounting policy provided in references (a) through (n).

3. Policy

a. This instruction applies to Fleet and Family Readiness (FFR) departments and activities performing NAF financial management and accounting functions.

b. Requests for waivers of any CNIC policy contained in enclosure (1) that are not contained in higher level regulations or codified in law must be submitted to CNIC Fleet and Family Readiness (N9). The waiver request must include justification for the waiver. All waivers shall be granted for a specified time period, not to exceed three years.

4. Responsibilities

a. CNIC (N9) is responsible for:

- (1) Reviewing and acting on all region waiver requests.
- (2) Ensuring enclosure (1) remains compliant with Navy and Department of Defense NAF policy
- (3) Issuing changes to enclosure (1) as required.
- (4) Implementing policy contained in enclosure (1).
- (5) Overseeing NAF financial management functions across CNIC.

b. Region Commanders (REGCOMs) are responsible for:

- (1) Reviewing and endorsing all waiver requests from within the region before forwarding to CNIC.
- (2) Implementing policy contained in enclosure (1) within the region.
- (3) Ensuring compliance with policies in enclosure (1) for all subordinate commands.

c. Installation Commanding Officers (COs) are responsible for:

- (1) Reviewing installation waiver requests before forwarding to REGCOM.
- (2) Implementing policy contained in enclosure (1).
- (3) Ensuring compliance with policies in enclosure (1) at the installation.

5. Action

a. CNIC N9 shall:

(1) Review and approve or deny all region waiver requests.

(2) Review enclosure (1) to ensure it remains compliant with Navy and Department of Defense policy.

(3) Issue updates to enclosure (1) as required.

(4) Issue amplifying policy concerning enclosure (1) as needed.

(5) Provide oversight of NAF financial management functions.

b. REGCOMs shall:

(1) Understand enclosure (1) so effective oversight can be provided.

(2) Identify all applicable NAF activities within the region.

(3) Review and endorse waiver requests from within the region.

(4) Disseminate this instruction to all subordinate commands.

(4) Implement policy contained in enclosure (1) within the region.

(5) Ensure compliance with policies in enclosure (1) for all subordinate commands.

c. Installation COs shall:

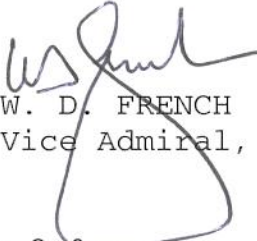
(1) Understand enclosure (1) so effective oversight can be provided.

(2) Identify all applicable NAF activities at the installation.

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(3) Prepare installation waiver requests and submit to REGCOMs.

(4) Ensure compliance with policies in enclosure (1) at the installation.


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**ACCOUNTING PROCEDURES FOR
NAVY NONAPPROPRIATED FUND
MANUAL**

Enclosure (1)

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CHAPTER 1

GENERAL INFORMATION

101. Purpose. This guidance prescribes financial management policies and a uniform accounting system for all nonappropriated funds (NAFs) within the Department of the Navy (DON), Commander Navy Installations Command (CNIC) in accordance with references (a) through (n). These provisions are intended to increase efficiency and effectiveness, permit greater control by management, facilitate the conducting of audits by proper authority, and provide guidance to all participants in the system.

102. Policies

a. Scope. The policies set forth herein are applicable on a worldwide basis to all NAFs within CNIC and are to be followed unless a specific request for deviation is submitted through and approved by the appropriate chain of command and CNIC Headquarters (HQ). The CNIC Financial Handbook contains detailed accounting procedures for NAFs participating in the Systems Application and Products (SAP) systems. Recommendations for improvements, modifications and/or additions to this guidance are encouraged and should be submitted to the CNIC HQ.

b. Private Organizations. Private organizations and funds, thereof, established and operated by individuals acting outside the scope of any official capacity as officers, employees, or agents of the government, and which are established to provide desirable morale enhancing facilities and services, are subject to references (b) and (d). The financial management policies and procedures set forth in this guidance are not applicable to private organizations, however they may be used as guidelines.

c. Military and Civilian Non-Appropriated Fund Instrumentalities (NAFIs). A NAIFI is a fiscal entity of the U.S. Government that is supported in whole or in part by NAFs. NAFIs are not incorporated under the laws of any state or the District of Columbia but have the legal status of an instrumentality of the U.S. and have the same immunities and privileges as the U.S. Government in the absence of specific Federal Statute. Military and civilian NAFIs are established and operated in accordance with reference (c). It is important to distinguish between the legal entity (the NAIFI) and the fund

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account (NAF). Federal agencies create NAFIs and regulate their activities, but NAFIs are not federal agencies or government corporations. Although a NAFI can be an integral Department of Defense (DoD) organizational entity that performs essential government functions within DoD, it operates independently to provide or assist DoD organizations supporting military personnel and authorized civilians. As a fiscal entity, a NAFI maintains custody and control over its funds and is responsible for exercising care relative to administering, safeguarding, preserving, and maintaining those resources made available to carry out its functions. This guidance is not intended to approve the establishment or operation of any of the NAFIs referred to herein.

103. Basic Policies

a. Establishment and Operation. The DON advocates the establishment and operation of well-rounded Fleet and Family Readiness (FFR) programs to insure the mental and physical well being of its personnel in accordance with references (d) and (f). Adequate programs and facilities to carry out this policy should be provided, operated, and maintained through financial support tendered by the DON. Appropriated and NAF will be used as appropriate to fund the cost of these programs and facilities. Provisions will be made to account for appropriated expenses by categories and activity types in accordance with reference (c).

b. Immunities and Privileges. The programs and facilities provided through FFR functions are deemed by CNIC to be essential to the performance of its functions. As such, they are necessary adjuncts of the department. FFR activities operated as NAFs are entities of the government and as such are entitled to all the immunities and privileges which are available to the departments and agencies of the Federal Government under the Constitution and statutes.

c. Civilian Employees. FFR programs established primarily for civilian employees of the Navy are intended to provide food and other services where required, and to offer certain recreational activities as inducement to recruitment and retention of the civilian work force in accordance with reference (e).

d. Administration of Programs. FFR programs will be administered in compliance with applicable Federal laws and

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operate in concert with certain state and municipal laws. Questions involving jurisdiction and compliance should be submitted to the appropriate legal counsel, Office of General Counsel (OGC) or Judge Advocate General (JAG) representative serving the command for resolution.

e. Nondiscrimination. The facilities and/or services of FFR programs will not be made available to any group which practices discrimination on the basis of gender, race, creed, color, age, physically or mentally handicap, or national origin. This will not prohibit the establishment of cultural or ethnic private organizations, providing membership is not restricted or discriminatory. Private organizations whose memberships are restricted on the basis of religion may be authorized to operate on DoD installations provided authorization is also approved for requests by similar organizations without preference.

f. NAFs are Government Funds. NAFs are government monies that are not appropriated by Congress and are not held within the U.S. Treasury. Military Departments and Defense Agencies generate NAFs primarily through the sale of goods and services to the DoD military, civilian personnel and their family members in conjunction with authorized Morale, Welfare, and Recreation (MWR) programs. These funds are used to support MWR programs and activities; lodging; civilian welfare; certain religious and educational programs; and are used for the collective benefit of military personnel, their family members, and authorized civilians. These funds are separate funds that are recorded in the books of the Department of the Treasury. All NAFs are government funds dedicated exclusively to the collective welfare and recreation of military and civilian personnel and their dependents (references (a), (d) and (e)). These funds will not be donated to any individual, firm, group, or organization, charitable or otherwise, to the detriment of the joint welfare and recreation of all personnel and their dependents.

g. Borrowing. As provided in reference (d), borrowing either between DON HQ NAFIs or from commercial sources is authorized.

104. Systems Approval. CNIC HQ has the responsibility for final review and approval of financial management processing systems prior to implementation.

CHAPTER 2**FINANCIAL MANAGEMENT**

201. Basic Functions of Management. The basic functions of management include planning, coordinating and controlling (references (d), (e) and (f)). Planning is directed toward the establishment of desirable future objectives and the formation of an organizational structure to be followed in their achievement. Coordination consists of integrating individual and group effort with the over-all objectives. Controlling results from the evaluation of individual and group effort in terms of the predetermined goals.

202. Discharge of Management Functions. The effective discharge of these functions is essential to sound business management and successful operations. In small activities the manager may personally supervise every phase of operations and the basic functions of management may be performed with little recourse to accounting data. In larger entities, direct personal supervision by one individual is seldom possible and it is necessary to establish a chain of command from top management to departmental supervisors. Under such circumstances, accounting becomes an indispensable tool of management. Accounting not only provides each level of management with relevant financial data, but it also furnishes basic facts required in planning, coordinating, and controlling.

203. Nature of Budgeting. Budgeting consists of establishing specific future goals and periodically measuring actual results against the planned objectives (reference (f)). A budget is a formal written statement of management's plans for the future, expressed in financial terms. A budget charts the course of future action. A budget should contain sound, attainable objectives based on a realistic plan of operations rather than wishful thinking.

a. Accounting and Management. Probably no other instrument contributes more directly to management than a budget. A budget embraces both accounting and management functions. It is a management function because it is an expression of management's plans, and an accounting function because plans are translated into financial terms for subsequent comparison with actual performance (reference (d)). Each of management's primary functions is directly served by budgeting. Planning is encouraged because careful study, investigations,

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and research must be given to expected future operations if the budget is to contain sound, attainable goals. Advanced planning, in turn, increases the reliance of management on fact finding in making decisions and lessens the role of hunches and intuition in managing a business enterprise.

b. Preparation. Coordination is facilitated as each level of management participates in the preparation of the budget. In addition, a budget enables top management to explain its objectives to each stratum of management. For example, planned merchandise purchases are developed in accordance with anticipated sales. Manpower requirements and salary costs can be correlated with anticipated income from services to be rendered.

c. Control. While managerial planning and coordination are important, they must be accompanied by control. Budgeting contributes to effective management control through the preparation of frequent budget reports in which actual performance and budget of objectives are compared and variations are revealed. The disclosure of variations enables management to focus attention on the areas which require immediate corrective action. Budget objectives act as a deterrent against waste and serve to encourage efficiency and cost savings.

d. Budget Revisions. For the budget to remain an effective management tool, revised budgets incorporating significant program changes for the balance of an accounting period should be prepared. Revisions should not be made solely to eliminate variations from planned performance.

204. Budgeting Procedures. A budget is a formalized plan to allocate available resources over a fiscal year. The fiscal year begins 1 October and ends the following 30 September. Budget call, instructions for preparation and budget spreadsheets will be posted on the Navy FFR and CNIC Gateway websites. All regions and installations must budget in Systems, Applications and Products (SAP). The primary goal of the Fiscal Year budget is to provide high-quality, properly sized, customer-focused and financially responsible FFR programs for Sailors and their families. To accomplish this, regions must assess availability of APF resources, meeting Navy Program standards, NAF revenue streams and the efficiency and alignment of the non-store front support unit.

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205. Responsibility for Preparation

a. Budget Officer. The responsibility for actual preparation of the budget is assigned to the local business office and the FFR Director. Budgets are prepared for both appropriated and nonappropriated funds requirements in accordance with guidance established by the appropriate higher headquarters. NAF budgets will be coordinated with Region N8.

b. Budget Input. Requests for budget estimates should be extended to the lowest level in the chain of command to enlist the participation and cooperation of all strata of management. After the estimates have been received, they are reviewed and incorporated into a master plan. This process usually necessitates a revision of some of the estimates, and each supervisor is given an opportunity to defend his/her estimates and requests. The various budgets are then agreed upon by the FFR Director and approved by the CO. Finally, the budgets are distributed and explained to each responsible supervisor as the operating plan against which their performance will be compared.

c. Sources of Information. Budgets are dependent upon the preparation of timely, clear, and accurate financial statements reporting operational results and financial condition of the business entity. The financial condition of an activity is presented in its balance sheet, while its earnings are reported in the income statement. The items appearing in these statements are major considerations in planning.

d. Elements of Financial Planning

(1) Management of Working Capital. The efficient administration and control of working capital used in an activity.

(2) Financial Plan. Determining the sources and required amount of initial or additional capital. This is an estimate based on past experience.

(3) Operating Budget. The operating budget is a projection of income and expense for a future period, permitting comparison and analysis of projected with actual data (Reference (d)). This is an estimated view of future income and expense based on past experience. The estimate will be influenced by management policies such as a reduction of personnel costs which could increase the net profit. It could also be influenced by

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an anticipated reduction in patronage through military transfers which could result in a decrease in level of operations and net profit.

(4) Cash Budget. A cash budget is a projection of cash receipts and disbursements for a specified future period (Reference (d)). It is necessary to know how much cash will be necessary to operate during the coming months and at what times and in what amounts cash will be available to meet payment needs. The cash budget shall be derived from and reconciled with the operating and capital budgets.

(5) Capital Budget. A capital budget is a projection of expenditures for acquisition, construction, renovation, and expansion of capitalized fixed assets such as furniture, fixtures, equipment, and building improvements (Reference (d)). The source of funding and estimated completion date shall be indicated.

(6) Annual Appropriated Fund Budget. The annual appropriated fund budget is an itemized listing of required appropriated fund support (Reference (d)).

(7) Balance Sheet Projection. A projected balance sheet shows anticipated assets, liabilities, and net worth at a future date based on planned operational results.

206. Operating Budget

a. General. The operating budget shows expected income and expenses, yielding the projected net income. The net income objective, through effective management, may be attained by increasing income or by cutting expenses.

b. Net Income Objective. The net income objective should be consistent with the need for maintaining the lowest possible price to customers, recapitalization requirements, and other management needs.

c. Forecasting Income. Forecasting income is the most important element in the operating budget since all other elements are dependent upon this figure and must vary accordingly.

(1) Basic Management Unit. A basic unit of measurement must be determined to forecast income. This unit of

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measurement is obtained from data collected from prior operations. The measurement unit may be selected from such data as the number of customers, meals, and guests applicable to each major activity (bar, dining room, golf course, barber shop, or any other department). Dollar amounts may be applied to measurement units upon determination of pricing and rate standard.

(2) Forecasting Resale Revenue. Planned resale revenue from the sale of goods should be computed separately from program or service revenue (ex: greens fees, membership dues, etc.). Selling prices should be reviewed and revised based on projected volumes, cost of goods sold and mark up needed to cover expenditures. Once the new selling prices have been computed, projected resale revenue can be calculated using the same projected volume.

(3) Forecasting Program Revenue. Income from similar activities may be forecasted in a like manner. Income from non-resale activities may be forecast directly in terms of measured units and by the application of rates as determined by the board or council, or as prescribed in the by-laws in the case of membership dues and assessments. Point of sales system (POS) reports may also be used to provide demographic information.

d. Controlling Expenses. Management should ensure expenses are controlled in accordance with established standards and/or industry benchmarks. Major expenses, such as cost of goods sold, wages and salaries, personnel benefits, utilities, and depreciation should be forecast separately for each month of the budget period. General and administrative expenses representing smaller amounts may be consolidated. The distribution of expense by activity should be accomplished when practicable. Prior experience should be the basis for apportioning expense allowances to the various activity accounts with consideration for future COLAs and inflation. Past expenses, however, should be examined closely as to propriety and necessity. Management should be vigilant in identifying and eliminating waste, fraud and abuse.

207. Cash Budget

a. General. A cash budget is an effective tool in planning cash requirements and resources of a business. It is important to note that the excess or deficit of cash receipts over disbursements for a given accounting period may not equal

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the amount of net profit or loss as reported in the income statement for the same period. Sales on credit, purchases on credit, and other accruals reflected in the income statements prevent a direct comparison.

b. Purpose. The primary purpose of the cash budget is to identify existing and anticipated cash resources to finance operations, pay debts as they mature, pay for desired expansion, and maintain the business in a satisfactory or liquid position. Sales volume, inventory levels, pricing, credit policies, and plans for replacement and expansion of fixed assets, should be critically reexamined in the light of the cash budget, and modified as necessary. When the cash budget indicates a deficit during all or part of the budget period, the entire plan of operations may be too ambitious for the resources available. Certain budgeted activities may have to be curtailed or deferred until supported by income.

c. Preparation. In estimating cash receipts and disbursements, other budgets must be carefully studied. Appropriate consideration should be given to future plans of management which will affect cash. After cash receipts and disbursements have been estimated, a minimum cash balance is established that will be adequate to meet cash requirements. The cash budget should be prepared progressively by monthly revision to provide a perpetual forecast. The period of time covered by a cash budget varies with the type of business and the activity's cash position. When the supply of cash is short, a weekly or even a daily cash budget may be necessary. Ordinarily, however, twelve separate monthly budgets are prepared for the year. Cash budgets are usually accompanied by detailed schedules of the major items summarized in the budget. Forecasts of total income as reflected in the operating budget must be adjusted for cash transactions. Cash receipts arising from credit sales and other charges will necessitate preparation of accounts receivable aging schedules, actual and projected. Monthly comparison should be made with actual cash receipts and disbursements for the purpose of planning future operations.

208. Capital Budget

a. General. The capital budget is a summary of proposed expenditures of cash for depreciable assets for the following purposes:

- (1) New facilities

(2) Replacement and/or improvements of facilities

(3) Furniture, fixtures, office and other equipment

b. Purpose. The objective of the capital budget is to increase or at least maintain future profits without jeopardizing the financial stability of the activity. Expansion or replacement proposals that do not further sales volume are not in themselves a sufficient basis for expanding capital investment, unless it is to be supported by a continuing high volume.

c. Long-Range Planning

(1) Planning for capital expenditure must be considered from a long-range viewpoint to include the following considerations:

(a) Long-term estimate of income, cost of operations, and profits.

(b) Possibly serve an increased patronage without expansion of fixed assets.

(c) Determine facility expansion and/or equipment required to serve increased patronage.

(d) Ability to obtain the required amount of capital when needed.

(2) The capital budget may be forecast by calendar quarters for 1 year in advance, and for each year thereafter up to 5 years.

d. Sources of Capital. The maximum funds available for capital expenditures, without impairment of working capital, are measured by:

(1) Reinvested (Retained) earnings for a given period.

(2) Annual allowances for depreciation (accumulated depreciation accrued through monthly charges).

(3) Proceeds from loans (ultimately to be repaid from future earnings).

e. Preparation. The capital budget should be prepared in two forms.

(1) Individual Project. A listing of individual projects or fixed asset items to be acquired during a future period stating the estimated cost of each, the date and amount of actual expenditures, and the unexpended balance of budgeted expenditure.

(2) Individual Period. Capital budget summarized by period. The budgeted project may be summarized for each budget period and computation made of the total funds estimated to become available for capital expenditures.

209. Balance Sheet Projection

a. General. The balance sheet projection is a preview of the financial condition on a specified future date, based on the plan of operations adopted. The balance sheet projection may be prepared as a culmination of other forecasts and budgets specified in other sections of this Chapter.

b. Purpose. The balance sheet projection may be used to:

(1) Note the flow of reinvested net income into current and fixed assets.

(2) Check on the accuracy of the operating budgets.

(3) Aid in planning capital expansion.

(4) Forecast cash balances and requirements.

(5) Aid profit planning designed to secure an adequate return on the total investment.

(6) Maintain the ratio of current assets to current liabilities and other financial ratios at a desirable level.

c. Preparation. The balance sheet projection should be maintained for periods coinciding with those of the operating budget. It should be prepared in substantially the same form as the balance sheet except that it may be condensed to show only the more significant items. If other budgets discussed in this chapter are regularly prepared, very little additional effort

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will be required for preparation of the balance sheet projection since most of the projected items have already been ascertained. Only a few additional items such as prepaid expense must be projected. Accounts receivable are estimated by adding to the opening balance the amount of estimated sales on account, less estimated collections during the period. Similarly, other balance sheet items are projected based on data contained in the operating, cash, and capital expenditure budgets.

d. Use of Financial Ratios. Financial ratios referred to in the following paragraph should be used in the analysis of the balance sheet projection. Comparisons of desired financial ratios with projected ratios may result in modification of operational plans and budget elements.

210. Management of Working Capital

a. General. Working capital management includes the following terms:

(1) Current Assets. Assets that are reasonably expected to be realized, sold or consumed, within one year through normal operations are considered current assets (Reference (a)). In addition to cash, the assets usually found in this group are accounts receivable, loans receivable, merchandise inventory, short-term investments, and prepaid expenses. They are customarily listed in order of liquidity, which is the order of their expected conversion to cash.

(2) Current Liabilities. Expenses that will be realized in the ordinary course of operations within one year, such as accounts payable, loans payable, salaries and wages payable, and collections received in advance for which goods or services are considered current liabilities (Reference (a)).

(3) Working Capital. The excess of current assets over current liabilities is working capital.

b. Administration of Current Assets

(1) Cash. Local cash balances should be maintained at the minimum amounts required for change funds, petty cash and foreign currency (Reference (a)).

(2) Receivables. The volume of receivables is determined by sales and credit policies and by the effectiveness

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of collection of outstanding accounts. The efficient collection of receivables is a vital part of working capital management. Laxity in this regard may tie up an undue amount of cash otherwise needed as working capital as well as increase losses from bad debts. It may be necessary to impose customer credit limits on accounts that are in excess of a reasonable period or amount.

(3) Inventories. Inventory management involves regulation of the size of the investment in goods on hand, the types of goods carried in stock, and turnover rates (Reference (a)). The investment in inventory should be kept at a minimum consistent with maintenance of adequate stocks of proper quality to meet sales demand. Increases or decreases in the inventory investment must be tested against the effect on profits and working capital. Standard levels of inventory should be established as adequate for a given volume of business, and stock control procedures applied so as to limit purchase as required. Such controls should not preclude volume purchase of nonperishable items when price advantages may be obtained under unusual circumstances. The rate of inventory turnover is a valuable test of merchandising efficiency and should be computed monthly.

c. Required Working Capital

(1) The following factors generally affect the amount of working capital required:

- (a) Turnover rate of inventories.
- (b) Turnover rates of accounts receivable.
- (c) Terms of purchase.
- (d) Terms of credit sales.
- (e) Overall expansion.
- (f) Seasonal variations.
- (g) Changes in customer strength.

(2) The approximate amount of working capital required to operate at a given date, and the amount of working capital excess or deficit, may be calculated as follows:

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Current Assets

Less: Current Liabilities

Equals: Working Capital

Less: One Inventory Turnover

Less: Net of 1 Month's Expenses and
Revenues from other than Sales Activities

Equals: Working Capital Excess or Deficit

d. Working Capital Ratios. The ratio analysis or working capital can be used by management as a means of checking upon the efficiency with which working capital is being applied. Important ratios for working capital management analysis are the working capital and inventory turnover ratios and the turnover or average collection period for accounts receivable. The behavior of ratios, over a series of accounting periods, is indicative of trends which may signal the need for adjustments in the future. Some of the working capital ratios which may be computed are described below.

(1) Current Ratio. The relationship between current assets and current liabilities is called the current ratio (Reference (a)). This ratio measures the ability to pay short term debts and is computed by dividing the total of current assets by the total of current liabilities. Marketable securities, receivables, and inventories may decline in value and there is no certainty as to when they will be converted into cash. On the other hand, current liabilities must be paid at their face value and at specific dates. It is desirable, therefore, that current assets always be materially in excess of current liabilities. The excess of current assets over current liabilities is also frequently used as an index of current financial condition. It is referred to as working capital or net current assets. There is general rule that a current ratio less than a 2:1 is unsatisfactory. Like most generalities this one is subject to modification in certain specific cases. A ratio that is smaller would indicate that debts may be too high. On the other hand, if the current ratio is too large this means more current assets should be converted to other useful purposes.

(2) Acid-Test Ratio. This ratio is the sum of cash, receivables, and marketable securities (called quick assets) divided by current liabilities (Reference (a)). The acid-test ratio is a supplemental measure of liquidity. A ratio of 1:1 indicates that for every dollar of current debt there is available one dollar of quick assets to meet current

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liabilities. The minimum acid test ratio should be 1.25:1. While it is generally desirable that the acid-test be high and improving, it is possible for it to be too high for the good of the business.

(3) Merchandise Inventory Turnover. Most of the observations about receivables discussed in the preceding subsection (210 c. above) are also applicable to merchandise inventory. Inventory in excess of the needs of the business ties up funds that could be used in other ways to better advantage and may increase the amount of insurance, storage, and other related expenses. There is also added risk of loss through price declines and deterioration or obsolescence of the merchandise. The merchandise inventory turnover rate is computed by dividing the cost of goods sold by the average cost price value of the inventory. (Reference (a)) If monthly data is not available, it is necessary to use the average of the inventories at the beginning and end of the year.

e. Turnover of Working Capital. A close relationship exists between sales and working capital. As sales volume increases, the investment in inventories and receivables increases and therefore, a larger amount of working capital is necessary. The turnover of working capital reflects the extent to which the business is operating on a small or large amount of working capital in relation to sales. This turnover or ratio is composite of number of relationships (inventories, receivables, current liabilities, etc.). These various component elements should be analyzed individually to account for changes from period to period. The turnover of working capital is computed by dividing the net sales for the year by the average working capital (Reference (a)).

CHAPTER 3

OPERATIONAL STANDARDS

301. General. The operational standards maintain line and functional business relationships within and between the Assistant Secretary of the Navy (Manpower & Reserve Affairs), CNIC Headquarters, Navy Regions, and the FFR Departments, each maintaining and managing their part of the FFR activities as a cohesive business unit. The qualitative characteristics of operational standards are useful and should possess the following characteristics, relevance, reliability, comparability and consistency (references (d) and (m)).

302. Responsibility

a. Program Manager. The program manager, as the administrative manager for FFR functions under his/her command, is responsible for the technical and administrative directives which will:

- (1) Set forth requirements for establishment of the programs and activities;
- (2) Insure implementation of budgeting, accounting analysis and evaluation, and auditing;
- (3) Implement report requirements and time frames;
- (4) Aid in the preparation of budgets for both APF and NAF funds;
- (5) Specify management policies;
- (6) Specify formats and provisions of contracts;
- (7) Implement policies for the disposition of surplus property;
- (8) Establish policies for purchasing, contracting, investing, administering and protecting assets in accordance with this instruction;
- (9) Set forth liquidation and closing procedures for disestablishment activities consistent with this instruction;
- (10) Establish and maintain adequate systems of

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internal control that provide reasonable assurance that the objectives of internal control are met and reviewed periodically (for all functions; not solely financial management); and

(11) Establish internal review/fiscal oversight programs and other management review cycles for NAFs.

b. Commanding Officer. Fund administration and supervision are command functions. Consequently, COs have the same responsibility for the proper administration of NAFs as for any other functional element of their command. Under the technical supervision of the appropriate program manager, and in accordance with applicable directives, the CO has jurisdiction over, and is responsible for, the establishment, administration, operation, and financial condition (including solvency, stability, and dissolution) of NAFs and will:

(1) Direct the activity operation in accordance with policies and procedures set forth by the program manager and as delineated herein;

(2) Review and evaluate financial statements and where applicable forward as directed to higher authority;

(3) Appoint qualified managers in writing and insure that an advisory group is designated for each fleet and family readiness program to act in an advisory capacity to the commanding officer by observing the overall operation of the activity and making recommendations to the commander for its improvement. Individuals responsible for either the receipt or disbursement of appropriated funds will not be appointed as a manager or custodian of NAFs. The custodian/treasurer or other membership associations, such as, flying clubs, rod and gun clubs, etc., should be elected or appointed from the memberships of such activities, subject to the approval of the CO;

(4) Budget for appropriated funds which are authorized to support Fleet and Family Readiness activities;

(5) Insure that technical advice and assistance in the supervision of activity functions is obtained from other staff members on matters in which they have functional responsibility;

(6) Effect corrective action on recommendations made by audit, program managers, and/or advisory personnel;

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(7) Disapprove any recommendation of the manager/custodian or advisory group which is deemed not to be in the best interest of authorized patrons or the NAFs;

(8) Ascertain that each activity is being properly administered and its monies and property safeguarded, that all income has been received in full, and insure that all disbursements are made only for authorized purposes;

(9) Direct those inventories are taken as required by governing directives; and

(10) Designate a successor manager:

(a) When the manager is absent by order, leave of absence, or any other cause for more than 30 days (and there is no designated assistant), the commander will designate a successor manager and require a physical inventory to be made in support of a statement of assets. Such inventory will be certified by the manager as correct to the best of his knowledge, and signed as a receipt by his successor subject to such exceptions, if any, as may be noted therein. The signed statement will be retained as a part of the activity's records.

(b) An inventory of the complete system is not necessary when the manager of a Fleet and Family Readiness activity (consisting of branches which have assigned managers with specific duties and responsibilities set forth in writing by the commander) is relieved at a time other than the normal termination of an accounting period. However, all cash on hand to include receipts for petty cash and change funds rendered by branch managers, the bank accounts and any property with the central office, will be verified by both parties and invoice and receipt accomplished.

(c) Unless there is an assistant manager, an acting manager will be appointed by the commanding officer when a manager is to be absent from duty for a limited period of 5 to 30 days. The acting manager becomes responsible by signed receipt for all assets as shown in the records as of the transfer date, subject to confirmation within 30 days thereafter.

(d) FFR Manager. The manager as a direct representative of the commanding officer exercises executive control over the FFR function and is charged with the following

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responsibilities and specific duties and will:

1. Receive, and safeguard monies and other assets in accordance with this instruction and other applicable regulations and/or manuals;

2. Cause to be put into effect all management policies as directed by the FFR manager, the commanding officer and other competent authorities;

3. Employ, train, supervise, and discharge personnel, and establish rates of pay and working hours, subject to the approval of the CO, minimum wage legislation, and DoD wage surveys;

4. Establish a continuous training program for all personnel;

5. Develop, implement, and maintain an internal control system in accordance with this instruction;

6. Be financially liable for losses of monies and property when his/her dishonesty, fraud, or culpable negligence is established;

7. Insure the adequate protection of cash (including bank deposits) and proper investment of monies is in conformity with reference (d);

8. Prepare necessary budgets in accordance with this instruction and as prescribed by the program manager;

9. Ensure that inventories are taken as required by governing directives;

10. Be responsible for all purchasing and contracting and insure compliance with reference (i) and other pertinent directives;

11. Be responsible for all financial operations of the activity to include all income-producing or service functions; and

12. Insure that each fund maintained in support of a retirement program is regularly reviewed by one or more qualified actuaries.

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303. Use of Appropriated Funds - Guidance. As prescribed in reference (a), APFs may be used to provide support to FFR programs. The following outlines procedures used in accounting for appropriated fund support to FFR activities.

a. Region comptrollers will issue APF controls to each FFR manager authorizing obligation of appropriated funds within the specified monetary limits.

b. Order for Work and Services (NAVCOMPT Form 2275) may be issued against unobligated APF balances to morale, welfare and recreation activities to cover anticipated offset of NAF costs by appropriated funds for authorized support. The NAVCOMPT Form 2275 should be issued in an amount based on estimated spend plan and carry an expiration date consistent with APF. The issuing activity must assign a Navy Standard Document Number to the NAVCOMPT Form 2275 and upon its acceptance, have it recorded as an obligation in the appropriated accounting records. The total APF availability includes both the direct cite obligations and the anticipated offsets obligated under the NAVCOMPT Form 2275.

c. An APF entity may contract with the NAFI for services, functions, or goods that normally are provided by the NAFI as part of their program. Funding will be provided by a NAVCOMPT Form 2275 which will remain in a committed status until such time as a signed Memorandum of Understanding (MOU) is created in accordance with authority granted under 10 USC 2492. This MOU will contain all information relative to establishing a contract between the NAFI and the Appropriated Fund entity including a statement of work, invoicing directions, and deliverables. Once the signed MOU is executed, the APF entity will obligate the funds in STARS-FL. The NAFI will submit invoices, and payment will be made citing the Work Request in the Line of Accounting on payment document (SF 1034).

d. At year-end, comptrollers prepare reports of appropriated fund support to FFR activities.

e. When FFR activities request supplies and services as authorized by reference (a), they may use NAVCOMPT Form 2275 Order For Work and Services. The requesting MWR activity must completely fill the applicable blocks on NC Form 2275 except that block 12 will be annotated to indicate that the order is to be paid by NAFs. When an FFR activity requests work and

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services using appropriated funds, block 12 of NC Form 2275 will be annotated with applicable appropriated accounting data. In both cases, billings will be sent to the activity indicated in block 11.

304. Uniform Funding Management (UFM) of Fleet and Family Readiness Programs

a. Policy

(1) The Uniform Funding Management (UFM) practice is designed to aid in the timely execution of Appropriated Funds (APF) in support of Department of the Navy (DON) MWR programs. Public Law 107-314, Section 323 amended Chapter 147 of Title 10, United States Code, by adding a new section, Sec. 2494. This statute allows funds appropriated to the Department of Defense (DoD) and available FFR programs to be treated as nonappropriated funds (NAFs) and expended in accordance with laws applicable to NAFs. All DON commanders and activities with FFR programs will implement the UFM program as outlined in the ASN (FM&C) memo dated 12 Oct 2004. The UFM process does not change the level of authorized APF support; rather, it alters the APF funds process to allow for a more timely cash flow to FFR activities.

(2) APF may be used through UFM procedures to support FFR NAFI for NAF expenditures, if the original transaction was an authorized appropriated APF expenditure, unless specifically prohibited by law or regulation. Region/installation commanders have a fiduciary responsibility for the implementation of the UFM Practice, which requires that the APF support must be obligated prior to the NAF expenditure.

(a) Region/installation commanders have a fiduciary responsibility for the APF and NAF resources that support Navy FFR programs. Total program cost will be accounted for through sound financial management practices.

(b) The Anti-deficiency Act, 31 United States Code (U.S.C.) 1341(a), 1512-19, prohibits incurring obligations in excess or in advance of available funds. The Purpose Statute, 31 U.S.C. 1301(a) requires APF be used only for the purposes and programs for which they are appropriated. The bona fide need rule, 31 U.S.C. 1502, precludes using funds to purchase supplies or services for future year's needs.

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(c) Under 10 U.S.C. 2783, the SECDEF prescribes regulations that govern the purpose for which NAF funds may be spent, and the financial management of those funds to prevent waste, loss and unauthorized use. There are penalties for misuse of APF and NAF funds. Violations by personnel subject to the UCMJ (Uniform Code of Military Justice) are punishable under Section 892, Article 92.

(d) In accordance with reference (c), individuals responsible for either the receipt or disbursement of appropriated funds will not be appointed as a manager or custodian of nonappropriated funds.

(e) References (d) and (e) outline the level of APF support authorized for FFR activities.

b. Procedures

(1) A Memorandum of Agreement (MOA) shall be established between the FFR program manager, the region/installation base comptroller, and the region/installation commander to outline the FFR services that are eligible for APF support and that will be funded using the UFM Practice. After the MOA is signed, a funding document will be sent by the APF entity to the NAFI entity by using a (NAVCOMPT Form 2275. Upon acceptance by the NAFI, the funding document will be obligated in STARS-FL. The NAFI will invoice incurred costs citing this document. Payment to the NAFI will be made by using a SF 1034 (Public Voucher for Purchases and Services Other Than Personal). The Line of Accounting cited on the SF 1034 will be that of the original funding Form 2275. Do not use a Miscellaneous Document (MD) in this process.

(2) All APF for base operations support, to include that provided through the UFM Practice, will continue to be included in APF budget exhibits, installation accounting records, and financial reports.

(3) APF provided to the FFR NAFI through the UFM Practice will not exceed the actual cost of providing the services. For example, APF support provided for equipment purchased will be limited to the actual cost of the equipment and freight and shall not include any overhead or administrative costs. The UFM Practice shall not be used to circumvent regulations concerning the timely obligation of funds. APF authorized expenses that have been recorded in the NAF

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accounting system, may be funded after the MOA was signed if additional funds become available. If additional APF funds become available, an amendment to the current MOA is required.

(4) Funds provided through the UFM Practice will not be used to circumvent prohibited use of either APF or NAF. The initial expenditure of NAFs must relate to the FFR mission, and to be considered for APF support under the UFM Practice, must be an expenditure specifically authorized for APF support.

(5) Funding for civilian personnel positions utilizing the UFM Practice is as follows:

(a) The UFM Practice will not be used as a mechanism to convert encumbered FFR APF civilian positions to NAF positions. If a civil service position becomes vacant, the MOA may be modified to include those services to be provided by the NAFI. However, if an unencumbered position is converted to NAF or contract, then it will not be converted to an APF position. APF-funded positions must be budgeted and executed in accordance with full-time equivalent requirements.

(b) The UFM Practice may be used to fund NAF labor costs of performing functions normally assigned to an authorized APF position within the FFR program, if the position is converted to a NAF position. For example, the labor costs for sports officials or gym attendants are Category A costs and are authorized APF support. Funding for these NAF costs are authorized through the UFM. Positions funded through the UFM Practice will be identified on official manning documents or approved under existing personnel standards.

(c) The UFM Practice shall not be used to fund non-FFR positions. The APF-funded positions under the UFM Practice will perform FFR mission-related functions only.

(6) UFM funding for Category C FFR activities is limited to those expenses authorized in reference (e). Greater use of APF is authorized at installation designated as remote and isolated.

(7) The UFM Practice procedures will be a special interest item of FFR field reviews. The respective FFR Program Managers will conduct an annual review of the UFM Practice process.

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(8) Prohibited use of UFM. Purchasing services or equipment that do not support the FFR mission. Items and/or prizes of a personal nature or having independent intrinsic value to the recipient. The following are examples of prohibited use of the UFM process:

- Trophies/awards in cash
- Entertainment/event tickets
- Gift Certificates
- Gift Cards
- Vehicles
- Fireworks
- Resale items
- Food (CYP excluded)
- Bottled Water
- T-shirts/caps
- Flowers
- Prizes

305. Fraud or Other Dishonest Acts. Any employee or person connected with a FFR activity will report to the proper authority any suspected misappropriation, embezzlement, larceny or robbery of property or funds, or other improper matter for action in accordance with Article 1139, U.S. Navy Regulations, 1973 and applicable instructions.

306. Insurance

a. Self-Insurance. The Comptroller General has consistently held that unless otherwise provided by law, APFs are not available for insurance of government property as the government is a self insurer. This prohibition does not extend to NAFs used to insure NAF purchased property or to insure the NAFI against other risks. One of the most effective means of protecting assets is through insurance. Certain insurance coverage is mandatory while other types of protection are at the option of the fund or as specified by the program manager.

b. FFR Activity Insurance Requirements. Activities will normally carry as a minimum the following insurance:

(1) Self-insured workers' compensation as required by state and territorial laws, and in the employment of foreign nationals as required by local laws. Where no provisions for worker's compensation are applicable, employer's liability insurance shall be provided.

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(2) Group life and comprehensive medical/dental insurance.

(3) Property insurance, including fire and extended coverage, sprinkler leakage, robbery, theft, and securities coverage. When the insurable value exceeds \$10,000, it will be provided by commercial insurance or on a self-insurance basis. Insurance may be provided on an optional basis for insurable values of less than \$10,000.

(4) Bodily injury and property damage liability insurance (general and automobile) will be provided by commercial insurance or on a self-insurance basis.

(5) The methods by which assets are protected will encompass sound risk management principles that will satisfy all applicable insurance laws (both domestic and foreign) while providing the broadest most cost-effective protection available.

(6) Amounts of coverage and the techniques of handling risk of loss should be based on risks involved in transactions not protected by internal control procedures and as may be determined by the program manager and/or commanding officer.

(7) Amounts needed to fund employer retirement contributions for defined benefit and defined contribution retirement plans.

307. Contractor or Concessionaire Insurance Requirements

a. Adequate Insurance Coverage. FFR activities which carry on business through contracts within the United States will provide in their contracts that adequate worker's compensation, employers' liability, bodily injury and property liability insurance will be carried to protect the interest of the contractor, the activity, and the Federal Government. In overseas areas contracts will provide that the contractor will comply with the local laws or customs of the country or political subdivision in which the concession is located.

b. Named As Additional Insured. With respect to bodily injury and property damage liability insurance, the contract must contain a clause which provides that the activity concerned and the United States of America are named as additionally insured parties, in addition to the contractor. The activity will obtain from the contractor, a certificate of compliance, signed by the insurer, which clearly indicates that the type and

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amount of insurance stipulated in the agreement, has been issued to the contractor.

308. Performance Bond. Contractors or vendors under contract for construction or for the furnishing of supplies or services may be required to post a collateral or performance bond in order to protect the activity from loss by insuring the fulfillment of such contract.

309. Insurance and Federal Tort Claims. Procedures for processing insurance and tort claims will be in accordance with JAG Manual, Chapters XX and XXIII.

310. Concession Operations and Contracts

a. Direct Operation. So far as practicable, all facilities, services, and functions should be a direct operation. Where circumstances would preclude realizing comparable service and a reasonable financial return, contractual agreements may be entered into between individuals or commercial organizations and activities with the consent of the CO and/or FFR manager.

b. Utilities. Where utilities are furnished by the Government on a reimbursable basis, charges will be made in accordance with references (d) and (e).

c. Policies. Policies regarding the control of concessionaire operations are prescribed in reference (n).

d. Commissions. Commissions from concessionaires to the NAFs will be based upon the provisions of the contract.

311. Audit and Inspection

a. All Levels. Activities at all levels of command are subject to audit and/or inspection. Activity managers will cooperate with auditing and inspecting personnel. Mishandling of NAFs and property, and violations of standards of conduct in connection therewith, will be referred to the commanding officer, and when deemed appropriate, to the Navy Inspector General or the Naval Investigative Service. Questions involving referrals should be submitted to the appropriate legal counsel, OGC or JAG representative serving the command for resolution. Irregularities of a potentially serious nature will be reported through command channels to the Assistant Secretary of the Navy.

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b. Annual Audits. Activities will normally be audited annually or as directed by the program manager whenever circumstances warrant and directives require such action in discharge of his responsibility.

c. Policies Regarding Audit. Policies regarding the audit of NAFs and related activities are prescribed in reference (j).

312. Records Management

a. Records Maintenance And Disposition. All records pertaining to the administration of NAFs will be maintained and disposed of in accordance with SECNAV Manual 5210.1 of November 2007.

b. Audit Trails. Computerized records are authorized so long as the required data are maintained and necessary audit trails are established.

313. Liquidation and Closing

a. Liquidation. Upon receipt of notification that an installation and/or activity is to be inactivated or placed in a standby status, the program manager, Navy Region Program Director and the CO have 60 days to take such action as deemed necessary to preclude careless or extravagant expenditure of cash prior to the dissolution of the fund. During the period between proposed inactivation and actual closing, disbursements will be limited to normal essential expenses, future commitments canceled, and the contractual agreements canceled or renegotiated when necessary. These responsibilities and procedures will apply also in the event a fund is dissolved for reasons other than inactivation.

(1) Question all creditors, past and present, to determine whether any liabilities exist and accordingly liquidate any outstanding payables.

(2) Collect all accounts receivable, or charge off to operating expenses those found to be uncollectible.

(3) Obtain settlement of all transportation and insurance claims owed to the activity.

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(4) Remit final withholding tax and social security payments and furnish employees with statements of earnings and deductions.

(5) Convert all Government securities into cash.
(Note: Some Government securities require time notices before redemption.)

(6) Advise the depository to forward final bank statement to the applicable program manager, cognizant auditor, or other designated authority, as appropriate.

(7) Perform a terminal audit of the activity.

b. Time Period. Within 60 days subsequent to receipt of notification to which reference is made in paragraph 313.a. above, all outstanding payables will be liquidated and monies remaining forwarded as directed by the FFR manager.

c. Disposition of Property and Records. Upon the disestablishment of an activity the property and records thereof will be disposed of in the following manner unless otherwise prescribed by the program manager:

(1) Merchandise may be sold to other activities or returned to vendors for credit, if possible.

(2) Transfer merchandise and property to other activities as prescribed by the FFR manager. Receiving activities will be responsible for payment of all expenses incident to packing, crating, and movements of merchandise of property.

(3) All records and related correspondence remaining after the terminal audit will be forwarded to the appropriate Navy Region Accounting Office for subsequent forwarding to the nearest Federal Records Center.

d. Final Disposition of Residual Assets. Upon final dissolution, all residual assets which remain after the transfer of monies cited above, including proceeds from sale of property and merchandise, will be forwarded as directed by the applicable program manager. Residual assets will be accompanied by a certified copy of the terminal audit of funds and, if appropriate, by notation of corrective actions taken hereon. Fixed asset disposal entries are normally based on the book values existing at the close of the last month of business

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operations for the dissolving NAF and not the last month of the NAFs existence as a fiscal entity, ie., a fixed asset is not depreciated over the final accounting periods required for liquidation and closing if normal business operations have ceased and the fixed asset is no longer being used or providing service.

CHAPTER 4

UNIFORM CHART OF ACCOUNTS

401. General

a. Uniform Chart of Accounts

(1) This Chapter establishes a uniform chart of accounts for recording transactions of all NAFs reporting under CNIC with exception of those accounted for by the Navy Exchange System (References (a) and (b)). All NAFs participating in the (RAMCAS/SAP) shall use the chart of accounts listed in reference (o). All classes of transactions are normally first entered in books of original entry and subsequently posted to the ledger accounts.

(2) Each type of account coding is listed, described, and categorized in the following paragraphs. Sub-classifications may be established where needed provided all such sub-classifications are standardized at the FFR manager level.

b. Schedule of Accounts

(1) To classify the accounts in an orderly manner in accordance with a definite plan for control of operations and facilitate analysis of operating results, a series of three digit account numbers has been assigned to the following major classifications appearing in the general ledger.

(2) Account Categories

<u>Series</u>	<u>Category</u>
100	Assets
200	Liabilities and Net Worth
300	Resale Revenue
400	Cost of Goods Sold
500	Program and Other Revenue
600-700	Operating Expenses

800 Other Income
900 Other Expense

402. Uniform Chart of Accounts. General ledger accounts will be numbered and titled to conform to the below Uniform Chart of Accounts. These accounts are numbered in such a manner as to provide for the uniform addition of subaccounts by program managers. For example, account 100XXX Cash can be expanded with 101XXX Concentration Bank Account; 108XXX Change Funds; 109XXX Petty Cash; etc.

a. Assets Current:

10XXXX-11XXXX Cash
12XXXX Investments
13XXXX Receivables
15XXXX Inventories
16XXXX Prepayments

b. Non-Current:

17XXXX-18XXXX Fixed Assets
170XXX Computer Equipment
171XXX-172XXX Vehicles
173XXX-174XXX Furniture, Fixtures, and Equipment
175XXX-176XXX Buildings and Facilities
177XXX-178XXX Building and Facilities Improvements
179XXX Construction in Progress
180XXX-Computer Equip. Accumulated Depreciation
181XXX-182XXX Vehicles Accumulated Depreciation
183XXX-184XXX Furniture, Fixtures and Equipment
Accumulated Depreciation

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185XXX-186XXX Buildings and Facilities Accumulated
Depreciation

187XXX-188XXX Building and Facility Accumulated
Depreciation

19XXXX Other Non-Current Assets

c. Current Liabilities:

201XXX Trade Payable

202XXX Other Accounts Payable

203XXX Deposits Payable

204XXX Gratuities Payable

205XXX Service Charge Payable

206XXX Consignment Payable

21XXX-23XXX Payroll Wages, Benefits and Taxes Payable

25XXXX Unearned/Deferred Income

d. Long-Term Liabilities:

271XXX CNIC Long-Term Loans Payable

272XXX Other Long-Term Loans Payable

281XXX Long-Term Pension and Severance Liabilities

291XXX Retained Earnings Beginning of Fiscal Year

292XXX Miscellaneous Equity Transactions

293XXX BRAC Equity Transactions

294XXX-298XXX Other Equity Transactions Net Income
(Loss)

e. Income and Expenses

(1) Resale Revenue:

3XXXXX Resale Revenue

(2) Cost of Sales:

4XXXXX Cost of Goods Sold

(3) Program and Other Revenue

50XXXX Program Revenue and Fees

531XXX Commons Support Services Revenue

532XXX Dues

533XXX Assessments

55XXXX NEX Ship Store/Concessionaire Profit
Distribution

560XXX Special Other Revenue

562XXX-564XXX Operating Grant Revenue

565XXX-568XXX Exchange Dividends

569XXX-594XXX Other Revenues

f. Operating Expenses:

60XXXX Salaries and Wages

620XXX-634XXX Personnel Benefits

635XXX Property & Liability Insurance

636XXX-639XXX Other Employee Benefits

641XXX-642XXX Utilities and Rents

643XXX-648XXX Aircraft Specific Expenses

66XXXX Communications

681XXX-685XXX Maintenance and Repair

686XXX Minor Property

687XXX Smallwares

688XXX UFM Fixed Asset Expense

701XXX-702XXX Supplies and Amenities

703XXX-708XXX Other Specific Expense

720XXX-731XXX Transportation of Persons & Things

741XXX-742XXX Common Services

747XXX-759XXX UFM APF Offset

76XXXX Depreciation

771XXX-794XXX Other Operating Expenses

799XXX Miscellaneous Operating Expense

g. Other Income:

800XXX Interest Income

81XXXX-851XXX Miscellaneous Income

89XXXX Extraordinary Income

h. Other Expenses:

900XXX Interest Expense

91XXXX Miscellaneous Expense

93XXXX-991XXX Extraordinary Expense

995XXX Other Construction Project Expense

i. Clearing Account:

999XXX Temporary Conversion Accounts

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403. Description of General Cost of Sales: Ledger Accounts

a. This paragraph describes the accounts within the General Ledger and explains the purpose for which each type account is normally used. Accounts herein are described only to a three-digit summary level.

(1) 100 Cash. This series of debit balance asset accounts is used to record cash balances, such as checking accounts; savings accounts; petty cash; change funds; etc. (References (a) and (e)). Accounts maintained in foreign currencies must be converted to equivalent U.S. dollars for financial statement reporting purposes (Reference (d)).

(2) 120 Investments. This series of debit balance asset accounts is used to show the value of interest bearing investments, such as certificates of deposit; federal securities; etc.; that are readily converted back into cash. Supporting securities registers will be maintained to record details as to cost, purchase date, yield, maturity date, and other pertinent information.

(3) 130 Receivables. This series of debit balance asset accounts is used to record amounts which are owed to an activity and are expected to be collected within one year, such as accounts receivable-customers, accounts receivable-dues, accounts receivable-returned checks, commuted rations, etc. Subsidiary accounts identifying amounts owed by individual debtors are maintained in support of these control-type accounts. When receivables are subsequently paid, this series of accounts is credited and cash recorded in the appropriate 100 series of accounts.

(4) 150 Inventories. This series of debit balance asset accounts represents the monetary value of various types of merchandise on hand. The balance of warehouse/central storeroom control accounts must be in agreement with detail stock record cards or other supporting inventory counts. Differences between control totals in these central accounts and official physical inventories are adjusted to inventory shortages/overages accounts as General and Administrative expenses. Retail inventory accounts will be identified with program manager assigned Cost Centers. Departmental inventory account overages/shortages are adjustment to cost of sales accounts.

(5) 160 Prepayments. This group of debit balance

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asset accounts is used to record the unused or unexpired portion of items other than fixed assets whose benefit extends beyond the current accounting period such as prepaid supplies, prepaid insurance, advances, etc.

(6) 170 Fixed Assets. This series of debit balance asset control accounts is used to record the cost value of fixed assets of durable or costly nature that have been purchased with NAFs. Appropriate documentation will be maintained for each asset item in support of the value of these accounts. Account 179 is used to accumulate the capitalized value of construction in progress until an item is financially complete. The value is then transferred to account 170 - 178 as appropriate.

(7) 180 Accumulated Depreciation. This series of credit balance control asset accounts is used to record the total accumulated depreciation on the assets recorded in the 170 series of accounts to show their diminished value due to usage, obsolescence, or passage of time. These accounts are credited with the amount of depreciation charged to operations during an accounting period.

(8) 190 Other Non-Current Assets. This series of debit balance asset control accounts includes other receivables owed to an activity but not due or collectible within one year. Automate System subsidiary accounts or registers will be maintained in support of these control accounts.

(9) 200-206 Accounts/Miscellaneous Payable. This series of credit balance liability control accounts is used to record amounts owed trade creditors or organizations for goods or services received which will be paid within a year in the normal course of business. Also included are accounts for customer security deposits; payables due employees; collections due U.S. Treasury; assessments payable (e.g., on slot machines); etc. At the end of each accounting period supporting schedules and subsidiary ledger accounts will be reconciled to these accounts. This series also includes accounts used to record the amount of monies held but available to be drawn upon by another activity such as for the use of units which are not authorized to maintain separate recreation funds. The value of funds allowed to activities is credited to these accounts with a debit to prepaid expenses and individual account amounts are supported by subsidiary records. As expenditures are made, by/or in behalf of the units, cash is credited and these accounts and the supporting subsidiary balances are decreased.

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(10) 210-230 Salaries and Wages, Personnel Benefits, and Taxes Payable. This series of credit balance liability accounts are used to record the amounts for salaries, wages, and annual leave earnings of employees that have been accrued but not paid at the end of an accounting period. The Automated Data Processing (ADP) Annual Sick Leave balance report is reconciled to these control accounts each month. Also included are accounts used to record accrued payroll related expenses such as taxes withheld or other amounts deducted from employees' wages to pay for a variety of benefits. Employer contributions owed for any of these taxes or programs are included in the appropriate account with the employee portion.

(a) Account 210000, Comp Time Payable, records comp time owed to employees and is reconciled to a locally generated and maintained spreadsheet. Comp Time is recorded manually in the payroll system and via a general voucher (GJV), in the accounting system when it is awarded. When Comp Time is used the feed from the time management system automatically updates the payroll system and the payroll posting updates the accounting system.

(b) Account 211000, Wages Payable, records wages owed to employees. Normally entries to this account are manual entries such as direct deposit reversals that should net to zero after either manual checks or payroll corrections are processed. All balances should be reconciled and cleared monthly.

(c) Account 211001, Accrued Wages, records wages owed to employees. There is normally a balance from the pay period end date until the pay date. When the pay is transferred to the employee the liability is relieved and the account balance should be zero. Balances that remain after each pay date should be investigated and cleared. There is also a balance from the final pay period end date in each month through the end of the month which is the salary accrual. On the first day of the following month the accrual reverses and the account balance should be zero. Balances that remain after the first of each month should be investigated and cleared. The accrual is based on the previous full pay period prorated to the number of days in the accrual period. If a traditionally high volume holiday is in the pay period that an accrual is based on and then followed by a normal (non-holiday) pay period the accrual may seem high. The opposite can be true if a normal pay period is the basis of an accrual followed by a pay period that includes a high volume holiday. In either case local NAFIs may

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do manual accruals to offset the effects of the holidays on the accruals.

(d) Account 212000, Annual Leave Payable, is the value of the total annual leave owed to employees at the end of each payroll. When payroll is posted to the general ledger (GL) the leave earned and used during the pay period are added (earned) and subtracted (used) from the previous balance in this account. Each payroll, or no less than monthly, the local NAF is responsible for reconciling the balance in the Annual Leave Payable account to the Annual and Sick Leave Report available from the payroll system. All variances must be investigated and cleared monthly. Bear in mind that the manual changes to leave balances recorded directly into the payroll software are not reflected in the payroll entry. Manual journal entries are needed to update the 212000 account for all manual annual leave changes entered into the payroll system. (Note: Because sick leave is not paid out when an employee terminates, sick leave is not recorded as a liability on the balance sheet.)

(e) Accounts 213000, 214000, 215000, Federal Tax Payable, Social Security Payable and State Tax Payable respectively, record the taxes withheld from an employee's pay each payroll. In the case of Social Security Payable the employer's portion of the liability is also recorded in the 214000 account. Normally only an in-and-out entry is posted each pay period end date and the account balance should be zero. Balances that remain after a pay period end date should be investigated and cleared. (Note: While local NAFs cannot post journal entries directly to tax liability accounts it is their responsibility to reconcile the accounts and to understand what is needed to clear entries that remain after payrolls are processed.)

(f) Account 216000, Savings Bonds Payable, records withholdings from employee's pay for subsequent payment to a financial institution for Saving Bonds purchases. An offsetting SAP payment is posted to the account to record the payment of the withholdings for the bond purchase. There are situations where the account may not be zero after the payment is processed, e.g., an employee is withholding \$25.00 per pay period to purchase a \$500 bond. Local NAFs should maintain local documentation such as a spreadsheet as backup for a running balance in the account.

(g) Accounts 217000 through 224000, accounts

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227000, 228000 and 230000 are retirement and insurance accounts where employee withholdings, and in some cases headquarters downloads, for these benefits are recorded. For local NAFs these accounts should have zero balances after payroll is posted as a result of SAP system entries that sweep the balances into corresponding headquarters' general ledger accounts for processing to third party benefit providers. There are occasions when the timing of a manual entry will prevent the system sweeps from clearing the account. Local NAFs should investigate and clear balances monthly. The corresponding headquarters' general ledger accounts that these funds are funneled into are in turn remitted to the third party benefit providers. Headquarters' Human Resources group is responsible for processing the payments and reconciling the general ledger accounts.

(h) Accounts 225000 and 226000 are used by overseas NAFIs to record reserves for payment to local governments for employee compensation. Overseas NAFs should maintain local documentation as backup for a running balance in these accounts.

(i) Account 229000, Payroll Deduction Other is a catch all account for employee payroll deductions that do not have unique accounts assigned such as: Credit Union, CFC, Union Dues, Federal Lien, Christmas Fund, Child Support, Garnishment and other payroll deduction codes. Because of the numerous types of payroll deductions coded to this account local NAFs should pay particular attention to reconciling this account. The vast majority of the postings to the accounts listed in this section are via a journal entry provided by the payroll system. The entry is thousands of lines long and is the direct result of what the local NAF payroll clerk enters into the payroll software. While the name listed in the accounting system as posting the entry will be a headquarters staff member that person is not cognizant of what was entered into the payroll system by the local payroll clerk and consequently will be less prepared to respond to local NAFI questions as to what was done to cause the posting than the local NAF payroll clerk who made the entry.

(11) 250 Unearned Income. This series of credit balance liability accounts is used to record amounts of dues, deposits, or other collections accepted in advance but not yet earned. As amounts are earned, they are transferred to an income account. Coding within SAP should be adequate for

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reporting to determine the source of prepayments and when amounts will become earned.

(12) 270 Loans Payable (Long Term). This series of credit balance liability accounts represents the amount owed on loans and notes which are not due to be paid within one year.

(13) 280 Other Long-Term Liabilities. These accounts are used to classify and record amounts of long-term payables other than loans, such as retirement and severance allowances; post retirement benefits liability, etc.

(14) 290 Net Worth. This account series is limited to the recording of retained equity; net income (loss); entries associated with establishments, disestablishments, or consolidations of funds; and approved miscellaneous equity transactions. The annual closing of the nominal accounts at year end (300 through 900 series of accounts) is made to account 291 Retained Earnings.

(15) 300 Sales Income. This series of credit balance income accounts is used to record revenues earned from the sale of merchandise. Cost Center codes are maintained for each retail activity/department (such as dining food, hobby shop resale, bar resale, wine sales, etc.) with related cost of goods sold accounts in the 400 series, related inventory accounts in the 150 series, and related direct expense accounts in the 600-700 series. Sales discounts are recorded as contra revenue in this series to offset gross.

(16) 400 Cost of Goods Sold. This debit balance account is used to record the cost of resale merchandise sold. Separate cost centers are maintained relating to the various types of resale income (food, bar, merchandise, other, etc.). The cost of free meals furnished to employees will not be charged to cost of goods sold but charged as either a direct or G & A expense in the 620 account series.

(17) 500-506 Participation Fees and Charges Revenue. This series of credit balance income accounts is used to record use, rental, participation fee, or admissions revenue for various sports, recreation or other program services. Program sales discounts are recorded as contra revenue in this series to offset gross. Also, since we are acting as an agent for the various Information-Tickets-Tours (ITT) vendors, the ticket sales should only reflect net

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commissions. In order to allow the locations to see gross sales, both the ticket revenue and ticket expense (contra revenue) are recorded in this series.

(18) 530 Dues and Assessment Revenue. This series of credit balance income accounts is used to record revenues derived from membership dues and inter-fund assessments levied on particular activities (such as a percentage of slot machines or mess sales/profits, consolidated accounting office revenue earned through the performance of services, etc.)

(19) 550 Mission Support Revenue. This series of credit balance income accounts is used to record revenues earned as part of the distribution of profits from a Concessionaire and Ship Stores.

(20) 560 Distribution Revenue. This series of credit balance income accounts is used to record regular recurring revenue derived by a distribution or transfer from other units (such as exchange profit distributions, cafeteria allocations, package store profits) and/or central fund transfers or grants to field activities. It is deemed to be income to the recipient as distinct from amounts (such as capital grants) creditable as direct increases to net worth in the 290 series of accounts.

(21) 570-580 Other Miscellaneous Revenue. This series of credit balance income accounts is used when recording the receipt or accrual of sponsorship revenues earned through the Commercial Sponsorship program and the Central Stores Overage discovered through physical inventory of at the central storeroom.

(22) 590 Commission Revenue. This series of credit balance income accounts is used to record revenues earned as commissions from agreements of sales functions contracted out vice performed in-house, such as tour desk, ticket services, cafeteria concessions, etc.

(23) 600-746 Operating Expense. These debit balance expense accounts are used to record by type the direct and/or indirect NAF costs of operations (based upon the nature of the services, articles, or other items involved). These accounts in conjunction with Cost Center codes identify them as either direct activity/department operating expenses or indirect (G&A) operating expenses within these series classifications. Where

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expenses can be identified to a particular activity/department, they should be recorded as a direct expense.

(24) 600-606 Salaries and Wages. This series includes the NAF cost of personnel compensation such as regular salaries and wages, overtime pay, severance pay, differentials for service abroad, and contract labor. (Excludes costs that are reported under another expense caption e.g., maintenance and repair labor).

(25) 620-634 Personnel Benefits. This series includes payroll related costs of benefits and employer contributions for payroll taxes life insurance/health insurance/retirement contribution costs, awards, employee meals, cost of living allowances, relocation expenses of employees, etc.

(26) 635 Property & Liability Insurance. This series of debit accounts is used to record the allocation and actual cost of MWR programs' property and liability insurance.

(27) 636-639 Other Employee Benefits. This service of debit accounts is used to record the cost of other employee benefits and includes 401K match, 401K admin fees, post retirement benefit cost, and the DoD travel subsidy.

(28) 640 Utilities and Rents. This series includes the cost of heat, light, power, water, gas, electricity, steam and other utility services exclusive of transportation and communications services. It also includes rental of equipment (except transportation equipment) and rental of real property and charges under Purchases Rental Agreements for equipment prior to the time that the title to the equipment is acquired.

(29) 660 Communications. This series includes charges for the transmission of messages, postal charges, (other than parcel post), messenger service, teletype service and telephone service including installation charges and use of telephone instruments and switchboards.

(30) 680 Maintenance and Repair (Incl. Minor Construction). This series includes expenses for the maintenance and repair of equipment, facilities, and real property purchased through commercial contracts or base civil engineers. Minor maintenance and repair not separately identified as a maintenance and repair expense need not be allocated to this expense element series as long as such costs

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are included under other expense series of accounts (such as salaries, supplies, etc.). Minor construction costs are expensed in these accounts only if less than amounts to be capitalized and reported in the Fixed Assets series of accounts or items part of the Uniform Funding and Management (UFM) offset program.

(31) 700-702 Supplies and Amenities (Expense Type). This series includes costs (other than significant maintenance and repair supplies) of operating supplies (e.g., china, glassware, silver, linens, uniforms, and kitchen utensils), equipment, printing and duplicating, and materials ordinarily consumed in use, such as sports gear, office supplies, fuels, punched cards and checks, subscriptions, hand tools, etc. Includes expensed materials used to form a minor part of equipment or fixed property (such as repair parts).

(32) 703-708 Other Specific Expense. This series of accounts includes the expenses related to the administration of the USDA Children's Food Program, monies received from USDA to offset those expenses, the CDH subsidy, cost of laundry, and tickets used by the operations.

(33) 720 Transportation of Persons. This series includes charges (such as commercial transportation fares, rental cars fees, per diem allowances, mileage allowances, tolls, charges for use of passenger carrying vehicles, etc.) for temporary duty (TDY) and permanent change of station (PCS) travel and subsistence for travelers conducting FFR program functions.

(34) 730 Transportation of Things. This series includes charges (such as those common carriers, parcel post, drayage, cartage, transportation of PCS household goods, rentals of truck and transportation equipment, etc.) for the transportation of things and for the care of such things while in the process of being transported for FFR programs (Where feasible such freight-in costs should be included in Resale Inventory or Fixed Assets accounts).

(35) 740-746 Common Services. This series of expenses includes charges received from FFR Support Service Offices by any other benefiting category FFR for such services as accounting, procurement, personnel support, etc.

(36) 747-759 UFM APF Offset. This series of Contra-

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Expense accounts (credit balance) includes all UFM APF Offset accounts such as labor, supplies, contractual, fixed assets, etc.

(37) 760 Depreciation. This series includes the annually expiring cost value of fixed assets capitalized in the 170 account series. Expenses charged to these accounts are aligned to the various 180 series of accounts - Accumulated Depreciation.

(38) 771-794 Other Operating Expenses. This series includes all other charges for direct or indirect operating expenses not classifiable in any of the above 600-769 series of accounts (e.g., inventory shortage/overages, spoilage, uncollectible accounts, advertising, insurance premiums, etc.).

(39) 800-890 Other Income. These credit balance accounts are used to record sundry and extraordinary income gained from exceptional nonrecurring nonstandard business operations and not recordable as operating income (e.g., interest income, insurance proceeds, cash overage, bonus merchandise, gains on disposition of fixed assets, income from installation sale of recyclable materials, etc.).

(40) 900-998 Other Expenses. These debit balance accounts are used to record sundry and extraordinary expenses not recordable as direct or indirect operating costs (e.g., lawsuit losses, fines, cash shortages, losses on disposition of fixed assets, etc.).

(41) Net Income. This line item on the balance sheet is used to calculate the net income. At fiscal year-end all revenue and expense accounts are closed to account 291 Retained Earnings. A credit balance represents a net profit for the period and a debit balance represents a net loss for the period.

CHAPTER 5

PROCEDURES

501. Taxes. Taxable wages generally consist of all earnings (regular, overtime, service charges, and reported tips) by an employee for services performed for his employer (references (a) and (e)). Managers should obtain each year a copy of "Employer's Tax Guide, Circular E", and comply with applicable provisions thereof. Other helpful information may be found in the publications "Your Federal Income Tax" and "Tax Guide for Small Business." These publications can be obtained from the Internal Revenue Service. Copies of circular covering state income taxes should also be obtained from appropriate state authorities.

502. Federal Taxes

a. Reporting and Remittance. Reporting and remittance of Federal taxes will be as prescribed by the Director of Internal Revenue (Reference (a)).

(1) Federal Income Taxes - Withholding. Withholding taxes are based on the rate established by the Internal Revenue Service and are published in the "Employers Tax Guide, Circular E". Federal income tax will be withheld from nonappropriated funded compensation of civilian and off-duty military personnel employees in conformance with the Internal Revenue Code in accordance with Title 26 U.S.C. 3402.

(2) Social Security Tax. The Federal Insurance Contributions Act (FICA) tax on wages, imposed by section 3101 of the Internal Revenue Code, will be deducted from the wages of civilian and off-duty military employees; and the excise tax imposed by section 3111 on employers will be paid on such wages as follows:

(a) Within CONUS, Alaska, Hawaii, Puerto Rico, and the U.S. Virgin Islands - on wages of all civilian employees irrespective of their citizenship.

(b) Within other areas - on wages of civilian employees who are citizens of the United States.

(c) Deduction will be made from the wages of military personnel employed during off-duty hours.

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(d) Sickness or injury payments made under worker's compensation law or contract insurance or certain employer plan are exempt from Social Security tax. In the absence of an employer's sick pay plan, payments will not be exempt from Social Security tax until the lapse of six calendar months subsequent to the last calendar month the employee worked for the employer. Applicable rates and computation tables are published in reference (a) and "Employers Tax Guide, Circular E." Provisions must be made to discontinue deductions when the maximum annual deduction amount has been reached.

(e) Social Security taxes should be withheld from the pay of NAF employees for periods during which they are on leave.

b. Federal Unemployment Tax Act - FUTA. It has been determined that employees of Navy paid with nonappropriated funds are considered employees of the Navy for unemployment compensation and are covered by Title XV of the Social Security Act as amended 1 September 1954 (5 U.S.C. 8501 et seq.). Accordingly, filing unemployment tax returns and the payment of unemployment taxes are unnecessary.

c. Meals, Lodging and Other Facilities. The fair cost of furnishing employees with meals, lodging, or other such facilities, for the convenience of the employees will be considered paid to the employees for purposes of Federal income, FICA, and FUTA taxes. Conversely, the fair cost of furnishing employees such facilities for the convenience of the employer will not be considered wages paid if:

(1) In the case of meals, they are furnished on the business premises of the employing NAF, and

(2) In the case of lodging, it is furnished on the business premises of the employing NAF and acceptance of the lodging provided is a condition of employment.

d. Federal Occupational Taxes. FFR entities located in the Continental United States (CONUS), Alaska, and Hawaii are subject to the following occupational taxes imposed by the Internal Revenue Code under Title 26, Subtitle E, Chapter 51. (For the purpose of these types of taxes, each category of FFR activity on an installation is subject to the following

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occupational taxes irrespective of the number of operational locations on the installation.)

(1) The tax on a wholesale dealer in wines and beer, imposed by section 5121(a)(2).

(2) The tax on a wholesale dealer in distilled spirits, imposed by section 5121(a)(1).

(3) The tax on a retail dealer in beer, imposed by section 5122(a) and (c)(2).

(4) The tax on a retail dealer in liquors, imposed by section 5122(a) and (c)(1).

(5) The tax on fuel, imposed by section 4041.

(6) The tax on heavy trucks and trailers, imposed by section 4051.

(7) All other excise taxes that may be imposed as a result of changes to applicable tax laws.

503. State, Territorial, and Local Taxes

a. Immunity. FFR activities of the DON are entitled to immunity from the taxes of states, the District of Columbia, territories and possessions of the United States, the Commonwealth of Puerto Rico and political subdivisions, thereof.

b. Income Taxes Withheld From Civilian Employees. Income taxes of states and territories will be withheld from the compensation of all civilian employees whose regular place of employment is within the state or territory, when an agreement exists between the Secretary of the Treasury and the state or territory made pursuant to the Act of 17 July 1952 (5 U.S.C. 5517). Upon the request by, and authorization of, a civilian employee not otherwise subject to withholding of pay under these agreements, voluntary withholding of income tax may be made in favor of the state of residence if that state has entered into such a withholding agreement.

c. Income Taxes Withheld From Off-Duty Military. State income tax must be withheld from off-duty military employees for the state in which the FFR activity is located. State and local

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income tax withholding for active military duty will be in accordance with the DoD Pay Manual.

d. State W-2. Copy of the W-2 will be filed with the state indicating taxable wages paid.

e. Requests for Rulings. Requests submitted to federal, state, territorial, or local authorities, such as pertaining to requests for rulings, interpretations of tax law, and advice as to procedures in tax matters, shall be cleared via official channels with the applicable program manager. Routine inquiries, for tax forms, filing dates, and such general information that do not affect determination as to particular applicability or construction of tax laws in conjunction with Navy activities may be made directly to the local Internal Revenue Office and need not be cleared via the program manager unless so directed. In states where applicable, personal income taxes will be withheld and submitted as required by that state's law except as noted above.

f. Provisions of 26 U.S.C. 4081. Taxes of a state, the District of Columbia, or a territory of the United States upon, or measured by sales, purchases, storage, or use of gasoline or other motor fuels will be collected and paid according to the provisions of 26 U.S.C. 4081.

g. Enforcement. Commanding officers will prescribe and enforce necessary controls, including reasonable quantity limitations where appropriate, to insure that restrictions and limitations governing the sale and disposition of state tax-free items are strictly observed. Commanders will cooperate with state tax officials; will investigate all complaints; and will take prompt and appropriate corrective and disciplinary action with respect to any violation or abuse of the tax exemption privilege.

h. Report To State or Local Government. State tax office copies of the Internal Revenue Service Form W-2 will be sorted into groups as determined by the residence address of the employee and forwarded with a letter of transmittal to the appropriate address furnished in DoD FMR 7000-14-R, Volume 8, Chapter 9. In addition to the taxing authorities listed, naval activities are authorized to furnish withholding statements to any other city or taxing jurisdiction which requests such information provided such city or taxing jurisdiction is actually levying a tax on income and provided that the city or

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taxing jurisdiction will furnish a copy of its ordinance to the activity so it can be determined whether or not any employees are liable for taxes. When an employee is a resident of a state in which compensation for personal services is subject to income tax and is also subject to a tax levied by a city, county, or other taxing unit, extra copies of the Internal Revenue Service, Form W-2 should be prepared for the use of the taxing units. These instructions are not to be construed as constituting a legal interpretation by the Navy Department of an employee's residence for purpose of taxation. The State Tax Office Copy of the W-2 form covering employees residing in a state, city, or any other taxing jurisdiction not listed nor otherwise requesting such information will be destroyed.

504. Foreign Taxes. Activities located in foreign countries, including occupied areas and the Trust Territory of the Pacific Islands, will not pay to, nor collect for, any foreign country or political subdivision any tax unless the United States has consented to such levy collection by treaty, convention, or executive agreement.

a. Federal Income Taxes Relating To Guam Or The Northern Mariana Islands (NMI)

(1) General

(a) Guam: 48 U.S.C. 1421h provides that Federal income taxes withheld from the compensation of employees of the U.S. Government employed in Guam shall be paid to the government of Guam.

(b) Northern Mariana Islands (NMI): 48 U.S.C. 1801 note (P.L. 94- 241, Section 703(b)) contains provisions applicable to NMI which are similar to those for Guam.

(2) Defining Income Taxes Derived from Guam or NMI.

The term "Federal income taxes" is interpreted to include the Federal income taxes imposed upon the compensation of civilian and military personnel of the U.S. Government for services performed in Guam, or NMI. This includes the Federal income taxes imposed upon the compensation of those who are employed on a part-time basis.

(3) Certifying of Federal Income Taxes Creditable to Guam. All departments and agencies of the Federal Government and service and social organizations associated with a military

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or civilian morale, welfare, and recreation entity, having Federal civilian or military employees stationed in Guam or NMI, must certify each calendar quarter the total amount of Federal income taxes withheld from salaries or such employees, to the Commissioner of Internal Revenue, Attn: TX: R:R, Washington, D.C. 20224. Separate certifications will be required for taxes creditable to Guam and those creditable to NMI. The certification(s) may be in the form of a letter, citing as authority for the certification(s) Section 3-4085 of the TFRM (I TFRM 3-4000) and identifying the certifying entity, the employer identification number, the calendar quarter covered by the certification(s), and the dollar amount withheld. The certification(s) should be submitted as soon as possible after the close of the calendar quarter but not later than the end of the month after the close of the calendar quarter covered by the certification(s). The amount shown in the certification(s) must agree with the amount of income tax withheld included in the quarterly Federal tax return of the employer (Form 941).

505. Tax Reporting Procedures

a. Negotiations With Taxing Authorities. Except as consistent with the above paragraphs, all matters involving the attempt to impose taxes upon, or require collection from FFR activities by the Federal Government, a state, the District of Columbia, a territory or possession of the United States, the Commonwealth of Puerto Rico, a foreign nation, or any political subdivision thereof, will be reported through appropriate channels in detail prior to payment or collection to either The Judge Advocate General (JAG) or The Office of the General Counsel as appropriate. Negotiations with taxing authorities will not be conducted by any DON Personnel without the express authorization of the Office of the Office of the Judge Advocate General or The Office of the General Counsel as appropriate.

b. 1099 Requirement. Activities making payments under services contracts aggregating \$600 or more to anyone other than a corporation during a calendar year will report the aggregate amount paid, the name, address, and the social security account number of the recipient of such payments on IRS Form 1099. Contracts with entertainers are within the definition of a services contract. If an employee, to whom wages or salaries are paid and reported on IRS W-2, also engages in a services contract with his employing activity and receives compensation under such contract, it is the responsibility of the activity to report on IRS Form 1099 the total of such contractual payment

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(even though less than \$600) if the combined total of the wages and the contract compensation was \$600 or more in the calendar year.

c. Prizes and/or Awards. Individual prizes and/or awards which total \$600 or more will be reported on IRS Form 1099 as per <http://www.irs.gov/pub/irs-pdf/i1099msc.pdf>. One-game winnings of \$1200 or more from a bingo game or slot machine will be reported on IRS FORM W-2G.

d. IRS Forms 1096, W-2G, and 1099. Returns made on IRS Forms 1096, W-2G, and 1099 for a calendar year will be filed on or before 28 February of the following year with the appropriate Internal Revenue Center. In addition, a copy of IRS Form 1099 and W-2G will be sent no later than 31 January of the year following payment by the activity to the individual who rendered services or received awards or winnings.

e. Collection, Reporting and Payment. Managers must collect, report, and promptly pay all taxes required by law when due.

506. Cash

a. General. Cash includes: petty cash funds, change funds, bank accounts, and cash receipts. Purpose, policy, and procedure for use of cash are set forth in this part. Cash receipts are covered in paragraph 507.a.(2) of this chapter.

b. Petty Cash Fund

(1) Authorization. The CO will authorize in writing the establishment of this fund, if needed, and specify the amount authorized. The manager will determine the individual responsible (petty cash custodian) for the petty cash fund.

(2) Establishment. Establishment of this fund and replenishment thereof will be made by checks drawn on the regular central operating account or local operating account when the fund is denominated in foreign currency and made payable to the petty cash custodian. The replenishment checks should never be made out to "cash". The individual responsible for the petty cash fund will obtain signed receipts for all funds advanced. No disbursement will be made from the petty cash fund without a supporting voucher approved by an authorized official and signed by the person receiving the cash. This fund

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will be reimbursed as of the last business day of each accounting period and at any other time when necessary. At the time of reimbursement, the petty cash vouchers shall be examined for possible evidence of fraud and canceled by perforation, date stamp, or some other satisfactory manner so as to prevent their possible reuse.

(3) Operations. To prevent alteration, these vouchers should be typewritten, or made out in permanent ink, dated, and the amount written out in full in words, i.e., ten dollars, and figures i.e., \$10. Each petty cash voucher will indicate the nature of the expense along with the associated company code, cost center and be supported by vendor's receipts or invoices where appropriate.

(4) Reimbursement. The amount of cash on hand plus the total of authorized paid petty cash vouchers must always equal the amount shown in the petty cash fund account. For example, the petty cash fund has been established in the amount of \$200. The fund is inspected at month end and \$151.25 in cash and vouchers totaling \$48.75 are found. To reimburse the petty cash fund a check for \$48.75 would be written. Thus, at all times cash or cash plus vouchers will equal \$200. Before reimbursement is made, the vouchers are examined and it is determined which expense accounts are to be debited.

(5) Vouchers. Petty cash vouchers will be prepared in sequence. To prevent alteration, these vouchers can be handwritten, in permanent ink on pre-printed forms or prepared electronically by computer program. In either case, the voucher numbers must be sequential and unique and may not be re-used. The forms must be dated and the dollar or foreign currency amount written out in full in words, i.e., ten dollars, and figures i.e., \$10. Each petty cash voucher will indicate the nature of the expense along with the associated company code, cost center, general ledger account, and be supported by vendor receipts or invoices where appropriate. The voucher form must be signed by both the authorized fund custodian and by the person receiving the cash.

(6) Co-mingling. The petty cash fund will never be used to replenish shortages within the change fund and cash receipts shall never be commingled with the petty cash fund.

(7) Audit. The entire petty cash fund and vouchers must be available for audit and/or verification at all times.

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(8) Imprest Fund. Where a volume of small cash purchases is necessary, a petty cash fund operated under the imprest method may be established to be used for small payments, not to exceed \$150 for any one transaction or **a maximum of \$500 (or foreign currency equivalent)** for an emergency condition. Petty cash funds shall not be used for payment of employee's or entertainer's wages to include meals and incidentals. All other purchases shall be processed using a government purchase card, purchase order, or contract. Splitting of purchases to circumvent the limitation is prohibited. The commanding officer will authorize in writing the establishment of this fund, if needed, and specify the amount authorized. The manager will determine the individual responsible for the petty cash fund.

c. Change Fund

(1) Authorizations. The CO will authorize in writing the establishment of each fund, specifying the amount authorized. The individual responsible for each fund will be determined by the manager and designated in writing, specifying the amount each individual is responsible for. The establishment of the change fund will be by check. This fund is established primarily for the purpose of making change. With proper documentation, it may be used to issue refunds. Other expenditures from change funds are prohibited. Should the CO authorize cashing of checks from the change fund at the central cashier (cashing of checks at an individual cashier is prohibited), the following information will be placed on the checks: name of sponsor, command name of sponsor, home and work phone number, last four digits of social security number, branch of service, rank or grade of sponsor, confirmation of address on check, or record of new address, if different. If the person cashing the check is a dependent, the information should be given on the sponsor. As required by the Privacy Act, of 1974, any request made to an individual for disclosure of personal information must be accompanied by a privacy act statement at all check cashing locations consistent with the following: "Note to check cashers: disclosure of personal information is mandatory if you wish to cash a check. All information furnished will be used to identify, to this activity, writers whose checks have been returned unpaid. Request for this information is made pursuant to the authority of Title 5, U.S.C., Section 301 and Title 10, U.S.C., Section 5031."

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(2) Establishment, Operation, Disestablishment. The fund manager may sub-custody the change fund responsibilities to a designated central cashier for disbursement to the individual site supervisors or managers. To maintain the chain of custody and maintain positive internal controls all personnel designated to handle or control cash will be designated in writing with a subcustody letter of designation.

(a) Central Cashier - Must be designated in writing specifying his/her responsibilities. The central cashier is responsible for several areas which can include the collection of all cash from individual drop safes, preparing and recording the daily deposits, completing the deposit forms and making the daily bank deposits.

(b) When the activity cashier is reassigned, relieved, or absent from work for more than 14 days the custodian returns the change fund and obtains the original of his receipt. To preclude daily turn-in of change funds, a locked box in which to store change until the next duty day may be provided. When this procedure is used, the locked boxes containing cash should be stored in the activities' safe.

(3) Change Fund Balance. In keeping with the principle that the place for excess cash is in the bank, the change fund should be in the absolute minimum amount sufficient for normal operations.

(4) Audit. The entire change fund must be available for audit and/or verification at all times.

d. Cash Counts

(1) Daily Verification. All funds and cash receipts must be verified daily. Surprise counts of all cash receipts and funds in custody of cashiers will be made on a periodic and at least quarterly basis (the designee must be independent of the cash function). This includes petty cash, change funds, and all cash receipts for deposit on hand. This count will be accomplished during duty hours while the fund is in operation and the cash counted reconciled to the applicable general ledger accounts and the daily activity records. All credit card transactions, coupons, refunds, etc. must be counted and individually annotated on the cash count sheet.

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(2) Surprise Counts. This requirement does not preclude additional surprise cash counts by disinterested personnel as may be prescribed by the program manager or the commanding officer.

(3) Certification. A dated and signed certification of each cash count will be kept on file for the current fiscal year in addition to the prior fiscal year to attest the fact that this requirement was accomplished.

e. Bank/Credit Union Accounts

(1) Purpose. Accounts with a local bank or credit union are primarily established for depositing daily receipts check and obtaining change.

(2) Policy. Local accounts will be established where necessary for each activity in accordance with policies and standards prescribed by the program manager and in accordance with this handbook. These accounts will be carried in the name of the activity.

(3) Deposits. All cash receipts will be deposited daily in the bank. Where authorized, cash refunds may be made from change funds or cash receipts only if cash was used as the original payment method by the customer. Cash prizes may be made from designated change funds or cash receipts only, i.e., bingo prizes can be made from the bingo imprest fund only. Weekend and holiday receipts will be deposited daily when there is access to a night depository or if no night depository on the next first business day. Daily activity records will be prepared daily to substantiate any deposit. When the amount to be deposited is less than \$100 an activity is permitted to defer the deposit of such small amounts until the amount to be deposited reaches \$100. However, all un-deposited receipts will be recorded at month-end and be deposited on the last business day of the accounting period. In these cases, only one deposit slip is necessary. The regular deposit slips furnished by banks will be prepared for all deposits made. The activity identification will be indicated on each deposit slip. The original of the deposit slip will be retained by the bank. The duplicate, properly validated by the bank teller, will be returned and attached to the daily activity records.

(a) Remote Locations. In instances where the location of the depository precludes daily deposits, such as,

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installation banks are not open daily, cash receipts may be kept in a secure safe until bank availability. Cash receipts should not be held for more than 5 business days without obtaining a government check from the local disbursing officer or arrangements made to purchase money orders from the nearest U.S. Post Office in exchange for cash. The cost of such money orders will be paid from petty cash; not subtracted from the daily deposit amount.

(b) Authenticated Receipt. An authenticated receipt shall be obtained from the bank for each deposit and shall be retained on file as part of the official records. Normally, this will be a receipted copy of the bank deposit slip, but it may also be a printed receipt if a machine record system is used by the bank. The receipted copy of the deposit slip shall be signed by the person making the deposit and retained by the activity until the deposit slip/receipt, authenticated by the bank, has been returned and found correct. Cash, or deposits containing cash, shall not be entrusted to anyone for transmittal to banks unless a fidelity insurance bond covers such risks.

(c) Receiving Checks. Each activity receiving checks shall insure that the following information is placed on personal checks by the person presenting the check prior to receiving cash or merchandise: name of sponsor, rank or grade of sponsor, last four digits of social security number, command name of sponsor, branch of service, home and work phone number and confirmation of address on check, or record of new address if different. Immediately upon receipt, checks will be endorsed "For Deposit Only to Account of (Title of Activity)", thereby limiting the negotiability of the instruments. In the case of a collection agent, prior to deposit, ensure all checks are stamped with the central return endorsement provided by the collection agent.

(d) Securing Cash. Cash on hand will be kept in individually locked receptacles that only the custodian has access to and cash receipts must be physically segregated from petty cash and change funds. Classified material or personal property will not be kept in safes with cash.

(e) Signed Receipts. Persons entrusted with cash will obtain signed receipts for funds turned over to other persons. Custodians of cash will be furnished with locked

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receptacles for the safekeeping of the funds and will be the only persons to have access to such funds.

(4) Deposits By Mail. Since cash is not to be deposited by mail, an "Exchange for Cash" check from the local disbursing officer or money order from the local post office will be obtained. This check and personal checks included in the deposit will be listed individually, as required by the deposit slip. Only checks that are payable in U.S. dollars and drawn on banks of the United States will be included in the deposit.

(5) Bank Service Charges. In the event a bank levies a service charge, the charge will be debited to the appropriate miscellaneous general and administrative expense account. This posting is made as part of the bank reconciliation process.

(6) Returned Checks. When the local bank returns a check, the activity will prepare an entry to show the decrease (credit) in the bank account and an increase (debit) to the returned checks account (accounts receivable). The bank should be instructed to mail returned checks as designated by local management. Returned checks that remain uncollectible for a six-month period will be written off after the manager and CO have approved. The journal entry will be a debit to a bad debt expense account and a credit to the returned checks accounts (accounts receivable). Some of the procedure outlined above may not be necessary if the returned check collection process is contracted to a third-party collection agent. In some cases, the returned check will not be returned to the local bank and instead is returned to the third-party collection agent's bank account.

(7) Replaced or Redeposited Returned Checks. When the returned check is re-deposited or replaced by cash or a new check, it will be included in the applicable daily deposit and reported on the daily activity record as a debit to cash and a credit to the returned checks account (accounts receivable).

(8) Check Cashing. The program manager will be responsible for prescribing policy for the cashing of checks. Where practicable, arrangements should be made with banking facilities for automatic redeposit of checks returned for insufficient funds the first time. Checks returned as non-negotiable see paragraph 506.e.(6).

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(9) Collection for Dishonored Checks. All debts arising as a result of dishonored checks issued to activities or instrumentalities shall be vigorously pursued by the activities or instrumentalities which have been issued the dishonored checks. This vigorous pursuit of the debt must be evidenced by issuing a written demand for payment; by affording the indebted service member the due process rights prescribed by Title 37 USC 1007(c) and for a civilian employee prescribed by Title 5 USC 5514; and by assessing of interest, penalties, and administrative costs when permitted by law.

(a) Debt Collections. In the case of debts owed by active duty and reserve personnel, notification of the member's commanding officer is also required in most instances. The offset of a member's pay may be undertaken only when all other reasonable collection action has failed. In those instances, the activity or instrumentality which holds the dishonored check will be responsible for preparing the forms necessary to effect the withholding from their pay and for certifying to the member's disbursing officer that the provisions of the Title 37 USC 1007(c) as applicable, have been fulfilled.

(b) Debt Collection From Retirees. In the case of retirees, this certification should be made to the Navy or Marine Corps Finance Center, as applicable. The disbursing officer or finance center shall be responsible for executing the withholding and for informing the member of the reason for the withholding. Application of the proceeds of the charge will be by either credit to an appropriation or fund or by remittance of a U.S. Treasury check, depending upon instructions furnished to the disbursing officer by the activity or instrumentality.

(c) Policies regarding Collection of Dishonored Checks Accepted by Commissaries, Ships' Stores, and Nonappropriated Fund Instrumentalities are prescribed in reference (m).

f. Reconciliation Of Bank/Credit Union Balances

(1) Monthly Reconciliation. A monthly reconciliation (to include savings account) is required between the checkbook, bank statement, and the general ledger cash account. The reconciliation must be performed by a person who is not a check signer and who is independent of the cashier and cash recording functions. This person should receive directly from the bank or

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credit union a statement and the canceled bank checks or equivalent listings.

(a) The person who makes the reconciliation will sign it and show the date the reconciliation was completed.

(b) Reconciliations should be reviewed, approved, and dated by an official whose duties do not normally include the handling of cash. After such review and approval, appropriate entries in the accounts should be prepared for all reconciling items other than deposits not credited and checks outstanding, unless such items represent errors by the bank. Any such disclosed errors should be reported to the bank immediately for correction.

(c) Bank statements, the bank reconciliation, canceled checks and credit union listings shall be filled in chronological and/or numerical order as part of the permanent records of the activity.

g. Foreign Currency - Authorized Purchases. While speculating in foreign currency is prohibited, NAFs have valid reasons for holding foreign currency. Foreign currency is needed for payroll, operating expenses, petty cash funds, change funds and capital expenditures. Guidance related to foreign currency purchases and holdings is contained in reference (d). For normal operating expenses, foreign currency balances should not exceed a 30-day requirement. Under exceptional circumstances, a 45-day supply may be retained. Additional balances may be held in support of construction and severance liabilities. Hedging of foreign currency exposure may only be done at the CNIC Headquarters level. Investments denominated in foreign currency are prohibited except as provided in reference (e).

507. Income

a. General

(1) Income Defined. Income is cash or cash equivalents (checks, money orders, bank credit cards, e.g., BankAmerica) earned or accrued during an accounting period. Receipts can take various forms: sales in the various departments, collections for surcharges, collections of accounts receivable, repayment of returned checks, loans received by the activity, etc. In most cases, income will be received by

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persons designated as cashiers.

(2) Cash Receipts

(a) Control. Cash receipts require the fullest possible measure of control. Cash receipts of an entity relate to the receipt of currency, coins, checks, bank drafts, and money orders.

(b) Records. It is vital that accurate and timely records be kept of cash receipts. Cash receipts accountability applies to money and charge documents. In order to segregate the functions of handling money and cash items and keeping the records, someone other than the bookkeeper prepares a list of departmental receipts. Cash registers or electronic point-of-sale terminals will be used if available and feasible and each sale rung up in view of the customer. Employees receiving cash shall not be permitted to work out of an open register drawer. The drawer must be closed after every sale to insure proper accountability and prevent pilferage. Where cash registers are not available, sales must be recorded on pre-numbered sales tickets. The original copy of the sales tickets will be attached to the daily activity record as support.

(3) Cash Registers and Electronic Point-of-Sale Terminals

(a) Purpose. The cash register or electronic point-of-sale terminal (POS terminal) is used to safeguard activity funds in the custody of the individual cashiers during hours of operation and to furnish a record of each individual sale.

(b) Policy. Each transaction will be recorded on the register or POS terminal at the time of the sale in conformance with the internal controls cited in reference (a).

(4) Cashiers

(a) Individual Cashiers. Each individual cashier will be provided with a change fund. Sales will be recorded on the register and the cash deposited in the cash drawer and the drawer closed after each sale. Daily, upon completion of the cashier's scheduled working period, the cashier will count the receipts, insure accuracy of the daily activity record, and either turn in receipts and the daily activity record to a person designated by the manager, or deposit them in a night

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depository and/or safe as directed. In those instances where daily receipts cannot be turned in at the close of business, the manager will designate a safe place where those receipts may be kept overnight.

(b) Central Cashier. The central cashier will either receive the receipts and the daily activity record from the individual cashier or will obtain them from the night depository safe. The receipts will be verified and appropriate certification will be recorded on the daily activity record.

(c) Person Designated To Read Cash Register or POS Terminal. The person designated by the manager (generally an assistant manager and never the individual cashier) will read the reports generated by the register or POS terminal upon completion of the cashier's scheduled working period, but in all cases prior to another cashier's utilizing the cash register or POS terminal. The tape should be removed from the cash register and attached to the daily activity record. Reports are generated by the POS terminal in place of a cash register tape. An electronic interface file can also be generated by the POS terminal and automatically transmitted to the AIMS/SAP financial system. The cash register readings, POS terminal reports and appropriate certifications should be entered on the daily activity record. Cashiers shall not be permitted, at any time, to see cash register readings or POS terminal reports. The central cashier should never be designated to read the cash register or the POS terminal reports.

(d) Point Of Sale. Every night a batch is automatically created with the end of day procedures. Menu items control the financial postings, i.e., company code, site, revenue centers, GL account and cost centers. Software is used to send a batch electronically to a server where it is posted in SAP.

(e) Cash Boxes. When the use of cash registers is not practicable, the cashier will be furnished a cash drawer or metal box. When in use, the cash drawer or box will be in custody of the cashier at all times. In those instances when the cash drawer or box is also used to turn in the daily receipts, the cash drawer or box will be placed in a safe or other secure place until the cashier is able to present the receipts for verification and removal by the manager or his designated representative.

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(5) Credit Card Sales

(a) Purpose. Credit card sales reduce the amount of cash handling at activities and afford patrons the privilege of paying for their purchases on a delayed basis.

(b) Policy. NAF activities are authorized to accept credit cards for the sale of goods and services. The total of credit card sales will be recorded on the Daily Activity Record (DAR). The patron's credit card will be used to imprint or electronic verify the necessary information and the patron will sign the draft or invoice. The cashier will verify the signature with that on the credit card. The cashier will verify, reconcile, and ensure that the individual credit card sales total, agrees with the duplicate customer receipt.

(6) Cash Receipt Vouchers. Pre-numbered cash receipt vouchers will be used for receipts of cash not recorded in cash registers or on sales slips. The receipt voucher will be prepared in triplicate for each cash collection.

(7) Cash Received In Mail. Provision must be made to record all cash (checks, money orders, etc.) received through the mail by a person other than the cashier. As frequently as such cash is received a listing will be prepared in sufficient copies as deemed necessary to provide the required internal control. The person preparing the listing and the person receiving the cash receipts must both sign the form in acknowledgement of accountability. All cash must be recorded in a timely manner.

(8) Coin-Operated Machines

(a) Vending and Amusement Machines. The keys to vending and amusement machines operated by the activity will be held in the custody of the manager or his designated representative. Machines should be emptied by the manager or his designated representative with another person as witness. Cash taken from vending machines will be reconciled with stock needed for refilling such machines. The manager or his designated representative and the witness will sign the daily activity records. Amusement machines will be controlled by non-resettable coin counters and the cash receipts reconciled with the meters each time the machines are serviced.

(b) Slot Machines. Due to the sensitive nature of slot machines, kiosks and cashiering, close control and

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supervision over all aspects of operations must be exercised at all times. COs and managers must take all measures to insure that:

1. Slot machines and kiosks are procured in accordance with the procedures prescribed by the program manager.

2. All keys to cash boxes, meter boxes, coin receivers, or internal mechanisms of slot machines/kiosks are entrusted to carefully selected personnel. At no time shall any one person have available for his use or in his possession sufficient keys which will permit him to have access to either internal or external cash boxes.

a. The casement, meter boxes, and coin receiver keys to all slot machines/kiosks and one key to one of the locks on the slot machine cash box (for those machines equipped with double locks on the cash box) will be entrusted to the custody of an officer designated by the command such as a command duty officer or other designated officer from a list that provides a frequent, preferably daily change. The designated officer will record each opening of a slot machine and must verify the cash count. One key to the other lock on the cash box shall be retained by the activity manager;

b. For those machines with only one lock to the cash box and access is through the casement, the key to the cash box shall be retained by the activity manager;

c. As indicated above, all keys except the one cash box key in custody of the activity manager shall be retained in the custody of the officer designated by the command such as a command duty officer or other designated officer. However, for those commands maintaining a separate officer list for the purpose of observing cash collections, keys will be transferred directly to and from the place of safekeeping. Control over keys will be established by maintaining a record of the name, social security account number (SSAN), and organization of the persons to whom issued. The record will also state the specific purpose for the issue;

3. Disinterested persons are appointed to collect cash, witness repair work, or free jams. This duty should be rotated to prevent collusion or compromise.

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4. All funds collected from slot machines/kiosks are property safeguarded and accounted for in accordance with provisions of this handbook.

5. The verification of cash removed from slot machines/kiosks is made by two members of management and the officer designated above.

6. All slot machines/kiosks are emptied as often as required, but not less than once weekly. Cash must always be collected on the last day of each month in order that income can be credited in the appropriate accounting period.

(9) Bingo

(a) Bingo Receipts. Receipts will be controlled through the use of a cash register and/or the use of pre-numbered coupons or tickets. The tickets will be issued by serial numbers to bingo cashiers, who will be responsible for missing numbers when turning in receipts. When cards are sold at a reduced price, management must take a reading of the ticket numbers or use tickets of a different color or series before the reduced price sale begins. A special Event Report will be prepared for each bingo event as required by this handbook.

(b) Bingo Cards. Bingo cards should be marked or date stamped to indicate payment has been received for a card. Before a prize is presented to a bingo winner, the card will be checked to insure that payment has been received. Electronic Bingo cards are subject to the provisions of reference (1).

(c) Bingo Awards. Every award shall be properly signed for by the recipient. For additional verification, include the recipient's award (if over \$1,200), name, rank (if applicable), social security number, organization, and telephone number. Cash prizes will be paid from the change fund or by check.

(d) Bingo Merchandise Prize Controls

1. Procurement. Bingo prizes may be procured on a consignment basis when authorized by the program manager. The consignment basis is similar to a memorandum receipt where the activity has responsibility for the items not present at periodic inventories. The purchase agreement for bingo prizes should permit the return of unaccepted prizes to the vendor for full credit.

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2. Inventory. A perpetual inventory of merchandise prizes shall be kept current at all times, and a proper identification number shall be affixed to each merchandise prize. Prizes should not be in a storeroom where employees have easy access. They must be kept under lock and key. Small expensive prizes require additional safeguards. When the display table is set up for the game, the manager or a designated responsible person should personally check the prizes out of the storage area, using the inventory records as a checklist.

3. Sale. The retail sale of bingo prizes is prohibited. Surplus or slow-moving bingo prizes should be returned to vendors for credit or disposed of as a special or consolation prize.

508. Purchasing

a. General

(1) Pre-numbering. Automated purchase orders or consecutively numbered contracts will be issued for all purchases (including entertainment) made from commercial sources except for small purchases paid from the petty cash fund. In certain instances where orders are placed with the vendor by telephone, a confirmation purchase order will be processed and forwarded to the vendor with the notation, "Confirming -Do not duplicate this purchase." Purchase orders will be used to document performance during a merchandise contract relationship.

(a) Purchasing With NAF. To purchase merchandise with nonappropriated funds from the General Services Administration, either a Single line Item Requisition System Document (DD Form 1348), or Multiuse Standard Requisition/Issue System Document (Standard Form 344) must be used. A local fund code established by the Supply Department will be cited on each document to distinguish the transaction.

(b) Scope. All segments of the DON procuring with NAFs will comply with references (i) and (o).

(2) Authorization. A warranted contracting officer will be responsible for all purchasing for the activity. The manager must approve the purchase of equipment and furnishings and/or services which will be recorded as fixed assets. The

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person designated should not be authorized to receive such merchandise, operating supplies, equipment, or furnishings. The commanding officer will establish a monetary limit the purchasing/contracting officer may expend at one time for a specific purpose without his prior and specific written approval. Activities shall not make purchases on the installment plan. Lease/purchase agreements, conditional sales contracts, and time contracts are not permitted unless authorized by the program manager. All purchase orders will be automated or numbered consecutively and strictly controlled. All forms will be completed in their entirety before signature and will not be signed in blank.

b. Blanket Purchase Orders. A purchase order may be issued as a blanket order for tangible goods. It may be used in the following instances where the purchase price remains the same:

(1) Sole source (one source of supply, e.g., Coca Cola) and frequent deliveries are required.

(2) Source of supply is accepted on basis of bids and frequent deliveries are required.

(3) When such a purchase order is used, all of the descriptive and unit price information except quantity and total cost should be included. In addition, the following type statement should appear on the purchase order: "You are hereby authorized to deliver the following products in the unit size specified and for the unit price indicated, during the period _____ to _____". Increments of delivery will be determined on and as needed basis by authorized personnel. Purchase action of a continuing nature must be documented by a contract.

c. Blanket Purchase Agreement

(1) Open-Ended Charge Account. A blanket purchase agreement is essentially an open-ended charge account kept with a supplier for goods which are usually price volatile in nature, and which necessitate frequent deliveries. Among the advantages of this type agreement are the invoicing terms (one billing a month vice frequent billings and payments) and the ability to "call-in" orders on a frequent basis. The use of blanket purchase agreements is to be limited to tangible goods meeting the criteria stated above (e.g., produce) where a fixed unit

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price order is not possible (i.e., the use of a blanket purchase is not feasible).

(2) Calls. Charges against blanket purchase agreements generally will be made orally. Written calls may be executed on informal correspondence. Documentation of individual numbered calls (such as recording the calls in a log) is required but shall be limited to essential information. Memorandum type forms may be developed locally for this purpose.

d. Contracts, Agreements, Leases, Licenses, and Permits

(1) Contracts and Agreements. All contracts for construction projects will be negotiated by the Public Works Department or a NAF contracting officer with the authority and warrant. Each contract will cite a single source of funds either APF or NAF. Contracts for other than construction projects negotiated on behalf of the NAFI, will be charged directly to the respective activity. As required by reference (i), all nonappropriated funded contracts must state that no appropriated funds of the United States will be charged or held liable. Each contract or agreement, other than construction, will be signed by the authorized government representative, and the contractor's representative.

(2) Examination of Contractor's Records. A standard "Examination of Records Clause" will be incorporated in all nonappropriated fund contracts except those with foreign contractors where precluded by the laws of the country. The Secretary of the Navy may determine that the inclusion of the clause would not be in the public interest. The wording of the clause will be in accordance with references (i) and (o).

(3) Leases, Licenses, and Permits. Instruction concerning the issuance of leases, licenses, and permits for use of government property or facilities, including property and facilities under the control of MWR activities, is given in Real Estate Procedures Manual, NAVFAC P-73.

e. Purchase Discounts. In determining the cost of purchased property, discounts shall be deducted from the price billed. Such discounts are reductions of costs that represent savings achieved through payments of bills within vendor's stipulated time limits. They are not income and shall not be accounted for as such, since they do not produce an increase in assets based on the sale of goods or services. In determining

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the cost of purchased property, the amount to be recorded shall be net of discounts. The value of discounts not taken shall be charged to operations as "discounts lost". This instruction applies to inventory accounting systems maintained at cost value.

509. Receiving

a. Policy. Authorized persons other than the buyer or accounting technician will be designated in writing to be responsible for receiving. These authorized receivers must also acknowledge in writing that they understand and will perform the duties outlined below in sub paragraph b. Record of acknowledgment must be maintained by the activity. Receivers may be appointed via individual letter, by blanket appointment letter, or by having the duties incorporated into their position description. Likewise, the acknowledgement can be maintained in a variety of forms. This requirement applies to all NAF procurement instruments, to include Purchase Card, Purchase Order, Delivery Order and Contracts.

b. Procedures For Receiving

(1) Delivery. When delivery is made, the authorized receiver will:

(a) Withdraw both filed copies of the purchase order from the "open order" file (does not apply to purchase card procurements).

(b) Inspect the merchandise to assure it is of the quantity and quality ordered.

(c) Print name and title and provide a signature and date of receipt.

(d) Record on both copies of the purchase order the quantity received.

(e) Record on both copies of the purchase order the serial numbers of all equipment received.

(f) If satisfactory, certify both copies of the purchase order in the spaces provided on the bottom and mark on the vendor's delivery slip the purchase order number.

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(g) If any variance exists between quantity and/or quality of merchandise ordered and that delivered, bring it to the attention of the purchasing agent prior to accepting delivery of the merchandise.

(h) Record on both copies of the purchase order the storeroom or department where the merchandise is placed so the bookkeeper can record the correct account.

(i) If and when applicable obtain countersignature of departmental personnel to whom merchandise is turned over on delivery on both copies of the purchase order and the vendor's delivery slip.

(j) Forward a copy of the annotated purchase order and vendor's delivery slip to the accounting technician as evidence of receipt to support the bill-paying process.

(k) Retain a copy of the purchase order at the receiving activity for future reference.

(2) Receiving Procedures. Receiving procedures for partial or incomplete shipments are the same as those prescribed for blanket purchase orders.

c. Special Procedures. When a blanket purchase order or agreement is used, or as partial shipments occur, vendor's delivery slips and the receiving copies of the purchase order will be certified and processed as outlined above. In addition, the receiver must indicate that the receiving documents are for a partial shipment, delivery increments (of a blanket purchase order or agreement), or the final increment of a partial shipment before forwarding the documents to accounting. A copy of the receiving documents will be retained at the receiving activity for ready reference concerning merchandise received. When a final shipment is received or when it is determined that no further shipment can be expected, the receiving activity will indicate final shipment or cancellation information on both copies of the purchase order and send a copy to accounting.

d. Procedures For Accounting Technician

(1) Receiving Documents. Upon receipt of receiving documents the accounting technician will:

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(a) Partial or Incomplete Shipments. In the case of a partial shipment or uncompleted blanket purchases, delivery slips or invoices will be filed in the open order file pending shipment completion. Invoices will be inspected to insure merchandise received complies with the terms of purchase. A goods receipt for the quantity received will be entered into the system with reference to the originating purchasing document. The vendor invoice for the partial shipment can be entered into the system for payment. Only invoices up to the value of the goods received should be entered and paid. Invoices will be reviewed to insure merchandise received complies with the terms of purchase. When the receiving documents for the final shipment are received, all invoices or delivery slips will be compared with the final receiving copy of the purchase order.

(b) Completed Shipments. In the case of a completed shipment, withdraw the open order file copy of the purchase order and compare it with the final receiving copy of the purchase order and attached invoices or delivery slips. A final shipment should be indicated when entering a good receipt in the system.

(c) Analyzing Outstanding Invoices for Goods Received. Related general ledger accounts must be analyzed and reconciled monthly. This process is necessary to identify goods received that have not been invoiced or have been improperly entered.

e. Storing, Recording and Issuing

(1) Policy. Each storage facility will be kept locked with limited access by a custodian and alternate designated by the activity manager. Access to the storage area will be governed so as to prevent unauthorized withdrawals. Stock records or an automated system will be maintained to show perpetual inventory of each type item held in a warehouse or storeroom. Inventory merchandise receipts and issues will be posted daily. Custodians and managers will be held responsible for the receiving and issuing of all merchandise. Receiving reports will be executed promptly and forwarded to the accounting department to take advantage of any discounts. Damaged and short shipments will be investigated promptly to effect adjustments or replacements.

(2) Procedure. Merchandise and operating supplies, when received, will be handled in one of two ways:

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(a) Storeroom. The initial positioning of such material will be indicated by the receiving clerk on the receiving copy of the purchase order. The accounting technician will debit the applicable inventory account. When resale items (food, beverages, etc.) are subsequently issued to a department, entries on a requisition will show a debit to the applicable departmental inventory account and a credit to the applicable storeroom inventory account. When operating supplies or replacements are issued to a department, entries on a requisition will show a debit to the applicable departmental expense account and a credit to the applicable storeroom. All inventories should be recorded by cost center.

(b) Delivered to Department. The initial positioning of merchandise delivered directly will be indicated by the receiver on the receiving copy of the purchase order. Accounting will debit an applicable departmental inventory or departmental expense account. If items are subsequently transferred from one department to another, entries on a requisition will show a debit to the appropriate inventory or departmental expense account of the receiving department. A credit will be made to the appropriate inventory account by cost center of the transferring department.

510. Disbursing

a. Cash Disbursements. The accounting technician is responsible for entering vendor bills, invoices and vouchers should not be responsible for reviewing and approving payments or be authorized to print checks. If such a separation of duties is not possible or practical due to personnel limitations then compensating internal controls must be in place and properly documented to ensure that unauthorized or unapproved payments are not made.

b. Processing of Bills, Invoices and Vouchers. Accounting is responsible for entering invoices received from vendors and ensuring those vendor invoices are paid in a timely manner based on the terms of payment. In the AIMS/SAP system, there are two methods for entering invoices and two methods for paying vendors (and customers when necessary).

c. Validity Check. The person designated to approve payments, or sign checks where the activity uses manual checks (see paragraph 510.f.(3)), will determine the validity of the

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bill, invoice or voucher intended for payment prior to the issuance of any payment or signing of any manual check. Validity shall be determined by comparing the amount of the bill, invoice or voucher to the supporting documents (purchase order, receiving report and the vendor's invoice). This can be performed manually or in an automated system. After signature, the payment advice (EFT remittance advice or check) will be mailed or electronically-delivered to the payee. Checks should not be returned to the accounting technician or person who prepared them.

(1) Printed Checks or Electronic Fund Transfer (EFT). Disbursements will be made by electronic fund transfer or by numbered check. Refunds and cash prizes may be made from change funds if safeguards are instituted with proper documentation. All checks will be printed on authorized check stock. The check stock will be secured in a locked receptacle with the signature chip secured in a separate locked receptacle. If an error is made in writing a check, the signature block shall be cut out and shredded, voided and retained for audit purposes and another check issued. Under no circumstances should checks be signed in advance or made payable to cash or bearer. The routing and processing of check payments is vital and should include the following independent and documented steps:

- (a) Authorization of payment
- (b) Preparation of checks
- (c) Mailing or delivering of checks, if not electronically transferred
- (d) Reconciliation of checking account.

(2) Validity Check. For manual checking accounts, prior to the signing of any check, the person designated to sign will determine the validity of the voucher intended for payment. Validity shall be determined by comparing the amount of the voucher to the supporting documents (purchase order, receiving report and the vendor's invoice). All supporting documents will then be stamped with a "Paid/Date" stamp and the voucher annotated with the check number. After signature, the check will be mailed or delivered to the payee. It should not be returned to the bookkeeper or person who prepared it. The general ledger cash balance will be reconciled monthly with the balance in the account statement.

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(3) Designation of Signatory. Individuals authorized to sign checks will be designated in writing by the commanding officer or his designated representative. A dated signature card will be filled with the financial institution for each person authorized to sign checks. Controls may be reinforced by requiring countersignatures. Rubber stamp signatures are not authorized.

d. Processing of Bills or Invoices

(1) The Accounts Payable department is responsible for entering invoices received from vendors and then paying those vendors.

(2) Payment runs for checks should be kept to a minimum. The Debt Collection Act of 1996 requires payments to vendors be through EFT unless an approved waiver is on file at the region.

(3) **"Emergency Checks"** for immediate requirements can be printed at each region for such things as petty cash/change fund replenishments, customer refunds, etc. All emergency checks must be reviewed and approved by authorized personnel in advance.

(4) Subsidiary Ledgers For Manual Checking Accounts. A separate subsidiary ledger for each customer/vendor will be maintained in alphabetical order. Each month subsidiary ledger sheets shall be totaled and reconciled to the general ledger. In a small activity where the number of customer/vendors is minimal, the maintenance of a subsidiary ledger may be waived (in writing) by the commanding officer.

e. Cash Disbursements. Operating expense disbursements and petty cash/change fund replenishments will be made by electronic fund transfer or by numbered check. Large refunds (e.g. over \$200) or cash prize payments (e.g. \$1200 or over) should be made from the accounting office by EFT or check. Cash disbursements for legitimate operating expenses are permitted from an authorized petty cash fund (see section 506.b).

f. Payment Processing. The routing and processing of payments is vital and should include the following independent and documented steps:

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(1) Authorization of payment

(2) Processing of automated and emergency payments or manual preparation of foreign currency check and EFT payments

(3) Distribution of checks and EFT remittance payment advices via mail (checks), email or fax

(4) Reconciliation of operating bank accounts either at headquarters or at the region business office, if local or foreign currency operating bank accounts are used.

g. Payment Types. Payments can be made on an as-needed basis, in an automated fashion or manually.

(1) Emergency Payments. Check payments can be prepared on demand or using an automated payment run procedure. EFT payments cannot be prepared on demand. Wire transfers can be arranged in exceptional circumstances by contacting the Treasury departments at headquarters.

(2) Automated Payments. Most payments are made by check and EFT in the automated system.

(3) Manual Payments. Manual payments are often necessary when making payment in a foreign currency. Manual check payments are required in all circumstances for those activities that are not using the automated payment system.

h. Payment Methods. Vendors (and customers, when necessary) are paid by two different methods.

(1) Electronic Funds Transfer (EFT). Electronic funds transfer is the primary payment method for all trade and employee vendors.

(2) Check Payments. Payments by check should be kept to a minimum. The Debt Collection Act of 1996 requires payments to vendors be through EFT unless an approved waiver is on file at the region. Check payments are necessary when reimbursing petty cash and change fund custodians to prevent co-mingling of funds or where there is no imprest bank account into which the EFT could be deposited. Other payments by check are authorized when payment by EFT is not possible or practical. No waiver is required for these check payments. The check payment process is

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completed at the individual regions. Check payments are processed locally by each region business office.

i. Authorized Foreign Currency Payments. Payments denominated in currencies other than US dollars (USD) are authorized for certain activities. Activities located overseas, and that transact with local vendors in a currency other than USD can make payments in a foreign currency.

511. International Balance of Payments

a. Applicability and Scope. The DON and FFR Field Activities are required to submit reports of expenditures and receipts that affect the U.S. International Balance of Payments (IBOP).

b. NAF Accounts. Data on NAF accounts shall be accumulated as an integral part of the applicable accounting and reporting procedures of the IBOP as required by DoD and DON to cover all NAF transactions that are accounted for regardless of payment method, e.g., U.S. dollars, foreign currency, or purchase card in accordance with DoD FMR 7000.14.R, Volume 6A, Chapter 13.

512. Payroll

a. Control of Payroll

(1) Payments of Salaries and Wages. All salaries and wages will be paid by EFT except where a formal working agreement indicates otherwise.

(2) Notification Schedules. Written notification schedules must be made of the exact hours each employee is expected to be on the job each day.

(3) Authorizations. The manager or designated representative must authorize, in writing, all employment, separation actions, changes in the approved work schedule, or other changes that affect the pay of employees.

(4) Reporting Hours Worked. In all cases, departmental supervisors must certify the number of hours worked during the period. Where an automated timekeeping system is not in place, a system will be devised locally whereby hours worked

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by each employee is submitted to the payroll clerk for processing.

(5) Leave and Earnings Statement (LES). An EFT will be prepared for each employee and an individual earnings statement itemizing information contained on the individual earnings record for each employee.

(6) Items Not To Be Used For Payroll Payments. Current cash receipts, petty cash funds, or change funds shall never be used for payroll purposes.

(7) Unclaimed Payroll Checks. After an appropriate interval (30 days), all unclaimed payroll checks should be voided and recredited to the bank account. Checks issued but not presented for payment within 60 days will be canceled and upon proper notification to the bank and recredited to the bank account. Unclaimed pay must be investigated to disclose any irregularities that may exist as the result of "payroll padding" and pocketing of unclaimed wages. Payroll checks should be marked "Not negotiable after 60 days from date of issue."

(8) Abnormalities. The manager shall examine any abnormal increases in the number of employees, rates, and labor costs.

(9) Signing of Blank Checks Not Authorized. Managers will not sign payroll checks in blank for emergency use during their absence.

(10) Controls on Time Cards. Payroll time cards/sheets will be canceled or dated in order to prevent their possible reuse.

(11) Annual Payroll Verification. At least once a year, a person not normally associated with the payroll function will perform a payroll verification. Verification will include identification of each employee and documentation of the results. The following are approved methods by which the annual verification will be accomplished: (1) Provide individual employees a hardcopy LES by suppressing the automatic on-line LES for one pay period, (2) Individual employees sign a hardcopy payroll report and, (3) Individual employees sign a hardcopy human resource report.

b. Service Charge, Charged Tips, and Cash Tips

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(1) Service Charges. A service charge is an amount of money automatically added to a patron's bill by the activity. If the service charge is to be retained by the activity, it should be credited to the appropriate revenue account. If the service charge is to be paid to an employee, credit a Salaries & Wages, Personnel Benefits and Taxes Payable Account. The employee shall be paid the service charge on his regular payroll check. Service charges are subject to both the employee's and employer's share of FICA tax.

(2) Charged Tips. Charged tips are considered to be any charge tip voluntarily added by the patron to his bill. Charged tips shall be credited to a Gratuities Payable Account and distributed to the employees on the next payroll cycle. This type of income is subject to the employer's share of FICA tax.

(3) Cash Tips. Cash tips refer to tips given directly by the patron to the employee.

(4) Reporting Declared Tips. Declared tips are required by law to be reported by the employee to the employer on or before the tenth of the month following the month the tips were received by the employee if \$20 or more for the month. These "Reported Tips" are posted and accumulated for purposes of determining income and FICA tax withholdings. Services charges and charged tips are not included in this reporting as they are included as regular wages. Managers should obtain copies of "Employer's Tax Guide" (IRS Publication 15, Circular E) from the District Director of Internal Revenue for distribution to affected employees.

513. Property Accountability and Controls

a. General. All persons entrusted with government property will be responsible for the proper financial recording, use, care, custody and safekeeping. Government property will not be used for anyone's personal use. Property constructed or purchased using non-appropriated funds will not be diverted to a use other than in direct support of the FFR purpose for which it was acquired without the prior concurrence of the commanding officer and region FFR manager.

b. Recording. Fixed Assets (non-expendable property) procured with non-appropriated funds will be recorded at

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original acquisition cost less cash discount plus freight-in and installation cost plus the cost of additions, modifications, or enhancements, thereto. If the original cost is not known, an estimated value will be assigned. In determining the estimated value, reference should be made, where possible, to manufacturers, price lists, cost of similar items, and such other sources of information as may be available. When the source of funds for the original procurement of property cannot be determined, it will be considered to have been purchased with appropriated funds. Property on loan will be controlled through use of appropriate issue and signed receipt documents. A Certificate of Disposition must be approved by the CO or his designated representative before a fixed asset may be dropped from the fixed asset listing.

c. Fixed Assets (Title Remains With FFR Activity). To reflect acquisition cost (or estimated value if acquired by other than purchase), allowance for depreciation, and net book value.

d. Fixed Assets (Purchased with NAFs to be offset with APFs). As of October 2004, APFs may be used to offset authorized NAF fixed asset costs. In those instances when property is purchased with non-appropriated funds to be subsequently offset with appropriated funds, such property will be recorded on the NAF books at zero cost for inventory purposes only. See reference (d).

e. Diversion of Assets. A building or structure constructed or purchased using non-appropriated funds will not be diverted to a use other than in direct support of the FFR purpose for which it was acquired without the prior concurrence of the CO and region FFR manager.

f. Proceeds From Sale. In accordance with Title 10 U.S.C. 2687, the net proceeds from the sale of a building or structure, acquired or constructed using non-appropriated funds and subsequently sold upon disposition of Government property, will be credited to the applicable fund as determined by the program manager. When it is uneconomical or impractical to ascertain the amount of net proceeds, the proceeds will be credited to Miscellaneous Receipts of the U.S. Treasury.

g. Classes of Property

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(1) Non-expendable Property. Non-expendable property (minor fixed tangible assets) is that which ordinarily retains its original identity during its period of use, is not fully consumed in normal use, has a unit acquisition value of \$2,500 or more and has a life expectancy of more than two years. Examples include furniture, fixtures and office equipment. When purchases are made in bulk for like items (example: a set of chairs) and the total cost is \$2,500 or more, regardless of the unit cost, the items may be capitalized and depreciated for FFR only. Non-expendable property will be recorded in the general ledger as fixed assets and capitalized. Property and depreciation records will be maintained as subsidiary records to the general ledger controlling account. At least annually, the total value recorded on the subsidiary records will be reconciled to the corresponding general ledger account balance. Each non-expendable item will be given a unique identification number which shall be permanently affixed with a tag or by some other method, to identify activity property. Assets in this group will be considered fixed assets for depreciation purposes.

(2) Expendable Property. Expendable property consists of any property with a life expectancy of less than two years acquired by purchase, gift, or transfer such as:

(a) Supplies and materials which after issue are immediately consumed in use or become incorporated in other property, thus losing their separate identities (examples: paints, glue, fuel, preserving materials, radio and TV tubes, etc.); or

(b) Articles which, when issued for immediate installation, are used to repair or complete other articles and, thereby, lose their identity (examples: spare and repair parts and components).

1. Property obtained for immediate use will be charged directly to operating expense. However, if expendable supplies are purchased by a department to be consumed in future periods, such items must be recorded as prepaid supplies.

2. All other expendable property purchased and stored in the warehouse or storeroom will be recorded on stock records and/or computerize system. Issues from the storage area will be based on numbered and controlled requisitions and expensed from prepaid supplies.

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(3) APF Property. APF property purchased for or assigned to FFR activities will be accounted for and controlled in accordance with references (a) and (e).

(4) Resale Merchandise. Merchandise purchased and placed in storage for the purpose of resale is considered an asset of the activity and will be recorded by debiting the applicable general ledger inventory account. When merchandise is delivered to a resale department, the inventory cost will be charged to the appropriate account series. Stock records and/or computerized system will be maintained for all merchandise carried in warehouses or central storerooms. Issues from the storage area will be based on numbered and controlled requisitions. Frequent reviews should be made to determine if stock is being purchased in economically sufficient but not excess quantities. Inventory records will be reconciled with the general ledger inventory account at least monthly.

(5) Surplus Property. Surplus/excess items are deemed to be those items which have been screened in accordance with current disposal regulations. Items acquired through surplus/excess programs remain APF property and will be accounted for and controlled as such in accordance with current regulations and as directed by the program manager. When no longer needed, these items will be turned in to the nearest Defense Reutilization Marketing Office (DRMO) with a statement that they were previously obtained from appropriated funded surplus/excess sources and that no part of any proceeds from sale or other disposition are due the returning activity. Likewise, when the DRMO sells NAF property the proceeds are returned to the activity disposing of the property.

(6) Loss or Damage of Property. In instances involving loss or damage to insurable interests of non-appropriated funded property, insurance procedures, as prescribed by the CNIC FFR manager, will be adhered to. In those situations where the recovery involves both insured non-appropriated funded property, and other insured Government property, the recovery of non-appropriated funded property remains with the FFR activity. Recovery for appropriated damaged property should be deposited to the Navy General Fund Receipt Accounts as indicated in 2416A of the JAG Manual. Appropriate documentation should be included in every claims file.

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(7) Donated Property. Includes those assets that are given to an MWR activity at no cost by another FFR activity or a private donor in accordance with reference (g). Excludes property obtained from APFs surplus sources as described above.

h. Depreciation

(1) General. Depreciation is the allocation of asset acquisition value or cost to present and future operations on the basis of some equitable and rational mathematical system. Although the purchase or acquisition of an asset occurs at one time, the benefits derived from an asset's use are received in future periods. Therefore, an asset's value or cost must be allocated to the periods that receive beneficial use. The income would be distorted if the total cost were charged to expense in any one accounting period. To show these assets in the financial statements at their adjusted real value, (book value, or asset acquisition cost less accumulated depreciation) the amount of such depreciation is recorded in an accumulated depreciation account and is offset from the fixed asset account on the balance sheet.

(2) Policy. The following accounting policy is applicable with respect to depreciation.

(a) Fixed Assets. Fixed assets will be depreciated in accordance with the following schedule, until the accumulated depreciation account shows 100% of the cost of such assets. Local commanders or appointed designee will determine the estimated useful life of each fixed asset within the guidelines set forth in reference (o).

(b) Depreciable Assets. Assets with remaining depreciable lives expensed in previous years will be capitalized in the general ledger by debiting the fixed assets account for the acquisition cost, crediting the accumulated depreciation account for the total accumulated depreciation since acquisition and crediting prior period income adjustment for the difference between the acquisition cost and the amount posted to accumulated depreciation. These assets will be depreciated during the remaining life of the assets by debiting depreciation expense and crediting accumulated depreciation.

(c) Used Assets. Used assets acquired will be initially recorded in the financial records and depreciated over their estimated remaining useful lives.

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(d) Computing Depreciation. Assets are depreciated beginning in the month following beneficial occupancy or available for use.

(3) Method of Computing Depreciation. Within the DON, all fixed assets will be depreciated by the straight-line method. Under this method, an equal portion of the cost of the asset is allocated to each accounting period of use; consequently, this is most appropriate when usage of an asset is fairly uniform from year to year. The possibility of a salvage value is ignored and the annual depreciation charge is computed merely by dividing the total cost of the assets by the number of years of estimated useful life.

(4) Recording of Depreciation. At the end of each accounting period, the following entries will be required to record depreciation:

Debit - Depreciation Expense
Credit - Accumulated Depreciation

Depreciation is not recorded as a decrease to the fixed asset account but as an increase to a contra-asset account, accumulated depreciation. The fixed asset account will always show the acquisition cost of the fixed assets. The accumulated depreciation account will show the estimated decrease in value of the fixed assets. The difference between the two accounts is book value. Accumulated depreciation is shown on the asset side of the balance sheet as a reverse of normal amount. All fixed assets are to be depreciated at the activity or general fund level G&A within the region as outlined in reference (o).

(5) Cash Sale of a Fixed Asset. Cash sales of fixed assets are not combined with the operating income from the sales of inventory or services because the activity is not in business to sell fixed assets. When a fixed asset is sold, everything relating to that specific asset must be eliminated from the books. The fixed asset and accumulated depreciation accounts will always be involved. If the net proceeds of the asset differ from the book value, a profit or a loss occurs.

(6) Trade-ins. When one asset is traded in for another, the acquisition cost of the new asset will be calculated as the cost of the new asset plus the net book value of the old asset less the trade allowance, the total cannot

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exceed the purchase value before trade-in allowance of the new asset.

i. Disposition of Unserviceable or Excess Property

(1) Navy Plant Property Procured With Appropriated Funds. Property recorded on the Navy Plant Property Records, including non-appropriated procured buildings and improvements, which have become unserviceable or excess to the needs of the activity will be returned to the appropriate accountable officer for disposition in accordance with existing regulations.

(2) Other Property Procured With NAFs. Other property procured with non-appropriated funds, which has become unserviceable or excess to the needs of the activity will be disposed of as follows:

(a) Used as a trade-in on a similar item.

(b) Sold to or transferred to another FFR activity.

(c) If not desired by another FFR activity within reasonable shipping distance or if it is deemed unfit for redistribution by the FFR Manager, it will be disposed of in accordance with current Navy and base disposal regulations. In order to ensure that the NAF receives fair compensation for disposal items the following methods of selling the assets are authorized. These methods are garage sale, auction or sealed bid. See reference (1) for additional guidance.

(3) Recyclable Material. FFR activities are authorized to use the installation FFR contracting service to sell nonappropriated recyclable scrap such as aluminum cans, bottles and newspapers directly to local recycling firms or continue to use the Defense Reutilization Marketing Office (DRMO). However, prior to selling locally, get assurance from the servicing DRMO that no long-term collection or surplus sales contracts are in effect for the installation for the specific types of recyclables. If a DRMO contract exists for this type of property, the contract takes precedence until expiration unless exception is granted by the servicing DRMO. All appropriated recyclable materials shall continue to be processed through the DRMO.

j. Inventories

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(1) Inventory Systems. There are two systems of determining quantities of goods in the inventory, periodic and perpetual. The periodic system relies upon an actual inventory taken at the end of an accounting period to determine the cost of items sold during the period. The revenue from goods sold during the period is recorded in the sales account, but no concurrent entries are made to record the decrease in the inventory. It is therefore only by a count at the end of the period that the inventory can be determined. The perpetual inventory system uses accounting records that continuously disclose the amount of the inventory. Increases in inventory items are recorded as debits to the appropriate accounts and decreases are recorded as credits. The balance is the book inventory of items on hand.

(2) Valuation of Inventories. All inventories are valued at cost which is defined as invoice price plus freight charges less discounts. Inventory items received at no cost are recorded as a debit to the inventory account and a credit to Bonus Merchandise. End-of period physical inventories are valued at or priced on the first-in first-out (FIFO) basis. In FIFO, requisitions are priced at the earliest invoice cost at which the items were placed in stock. Quantities on hand at the inventory date are considered to be those items most recently purchased. Physical inventories of fixed assets are valued or priced at original acquisition unit costs including freight-in and related installation charges.

(3) Inventory Frequency. Inventory frequency will be prescribed by appropriate program managers. As a minimum requirement, non-resale merchandise, consumable supplies, fixed assets, and property on loan require an annual physical inventory. However, cash, prepaid supplies and resale merchandise requires an inventory at the close of each accounting period. The results of the inventory will be reconciled with property records and the general ledger controlling accounts. Upon the relief of the responsible person, as determined by the program manager, inventories as set forth above will be accomplished.

(4) Types of Inventories

(a) Warehouse or central storeroom resale merchandise.

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(b) Departmental resale Merchandise.

(c) Prepaid Supplies such as china, silver, glassware, and maintenance supplies.

(d) Fixed Assets, capitalized nonexpendable property (includes such items as furniture, fixtures, and equipment).

(e) Expendable property items which are recorded on property records although expensed at time of receipt.

(f) Cash, which includes all cash at an activity (such as petty cash funds, change funds, and undeposited receipts).

(5) Procedures For Taking A Physical Inventory

(a) General. A physical inventory, when possible, will be taken either before or after regular operating hours. If this is impractical, it will be taken at a time that will be least inconvenient to patrons. Sales will be made during inventory count only in the case of an emergency. Such sales will be included in the count and treated as sales of the subsequent accounting period.

(b) Pre-inventory Procedures. Specific inventory instructions should be issued to employees at least ten days prior to the physical inventory. These instructions will describe:

1. Counting and listing procedures that will be utilized;

2. Inventory count forms;

3. Pricing of inventory; and

4. Transaction cutoffs.

A pre-inventory meeting should be held with all employees who are to participate in the counting of the inventory. Inventory instructions and procedures, personnel assignments, and working hours should be reviewed and discussed during this meeting.

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(c) Personnel. The manager will designate experienced personnel as inventory supervisors who will be responsible for a complete and accurate inventory. In fulfilling these responsibilities, supervisors will select and train the counters and verifiers and make certain that all preliminary preparations are made prior to counting the stock.

(d) Layout Sketch. To assure accurate and expeditious inventory taking in the store, warehouse, stockroom, etc., layout sketches should be prepared in which each fixture (i.e., shelves, gondolas, bins, tables, etc.) is illustrated and identified by a number. Large areas will be prepared by inventory supervisors well in advance of the inventory date. A number, identical to the one entered on the layout sketch will be affixed to each fixture.

(e) Cut-off Time

1. A cut-off date for sale and receipt of merchandise will be established by the accounting office. The cut-off date for the receipt of retail merchandise may be set two or three days earlier than the close of the accounting period to permit arrangement and counting of stock prior to the inventory date. All merchandise received prior to the receiving cut-off will be included in inventory. Merchandise received after the cut-off date will be excluded. Vendors and transportation companies may be requested to delay deliveries until after completion of the physical inventory. If merchandise is delivered during the inventory, do not include or record its receipt. If any sale is permitted, the item must be entered on the inventory sheet.

2. A proper cut-off time (date and hour) will be established for each activity by the accounting branch for the return of merchandise to vendors and the transfer of merchandise from the warehouse or storerooms. All branch and activity locations will be notified by the warehouse at cut-off time of the number of the last requisition against which merchandise was transferred prior to inventory count. This will enable the activities to ascertain whether all the merchandise charged to them has been received.

(f) Stock

1. General. All merchandise on the selling floor and warehouse will be arranged, sorted, and consolidated

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by identical merchandise and price line to facilitate counting and listing. Merchandise sold but being held for pick-up will be segregated from regular stock and will not be included in the inventory.

2. Retail merchandise will be properly marked with the retail selling price. All other merchandise will be properly marked with the cost price.

3. All merchandise returned by patrons for which credit has been given will be properly remarked and included in the appropriate departmental inventory.

4. All merchandise in the receiving room that has been received prior to the inventory cut-off date will be marked and sent to the warehouse, or selling floor, as appropriate, for consolidation with identical merchandise.

5. With the exception of cartons retained for packaging of merchandise on display, all empty cartons will be removed from the selling floor and warehouse, and collapsed so that they will not be included in the inventory count.

6. All slow moving, damaged, and obsolete stock will be properly marked down to the retail price at which it is expected to be sold and the changes will be effected prior to the inventory cut-off date.

7. Inventory Sheets. The manager will ensure type written or computer generated inventory sheets will be prepared by department for all items. To the maximum extent possible inventory sheets will list the items according to the manner in which they are physically arranged at the inventory site. Nomenclature shall identify the items to be inventoried. Inventory numbers, manufacturer's serial numbers, and component parts of sets shall be shown on the inventory sheet. All sheets will be dated, pre-numbered, and accounted for. Only one department's merchandise or property will be listed on any one inventory sheet. Inventory sheets shall be distributed to the individuals assigned to conduct the inventory. Upon completion of the physical inventory, all sheets will be signed by each person participating in the inventory process.

(6) Inventory Taking Procedures

(a) Counting the Merchandise

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1. General. Merchandise will be counted only after completion of all pre-inventory preparations. When possible, individuals familiar with departmental stock will be assigned to taking inventory. Counter will be indoctrinated thoroughly not only in the method of counting but also in the system of recording the count, for example, the count proceeds from left to right, top to bottom, in book-reading fashion. Normally, the work is done by a team of two people. One should call and inspect the inventory while the other enters (in ink) the quantities on the sheets. Each department will be inventoried separately. During the course of the inventory, independent test checks will be conducted to insure the maximum of accuracy. Items found to be on hand, which were omitted from the inventory sheet, will be recorded by the inventory team, provided such items can be positively identified as activity-owned property.

2. Unit Prices. Unit prices for retail department merchandise will be taken from current vendor invoice at the time of count. All merchandise will be listed and counted in the same unit category as priced for sale; for example, if cakes of soap sell for 3 for 25 cents, the multiple retail sales prices will be used and recorded "25 cents for 3," (not "3/25"). Only the unit cost price will be shown for service department items. This will be taken from the vendor invoice. The same person inserting the unit price amount also records the unit "type" such as dz., ea., gr.

3. Inventory Count. All counts, identification, and pricing of inventories are to be adequately rechecked by a disinterested party other than the one who recorded the original data. All inventory counts are to be verified and audited by the accounting staff.

4. Extension of Inventory Sheets. All inventory count sheets will be extended and totaled by personnel in the accounting office.

5. Departmental Inventory Worksheets. After the inventory work sheets have been extended and totaled, inventory sheets will be summarized in value by department. These values will then be compared against the book inventory. Retail variances will be converted to cost by multiplying retail variances by departmental cost ratios.

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(b) Items Excluded

1. Merchandise on Order. Merchandise ordered but not received will not be included in the inventory even if the invoice is received prior to the inventory date.

2. Merchandise Sold--Held for Pickup. Merchandise being held for pick-up which has been sold prior to inventory time, including all lay-a-ways, will be removed from the regular stock so that it will not be included in the inventory count.

3. Items Charged to Expense Accounts. Items charged to expense accounts, when received, will not be included in the physical inventories. Merchandise on hand that is to be returned to vendors will not be counted unless it has been charged to an inventory account.

(c) Items Included

1. All materials and parts used for rendering a service, all ingredients used for preparing a finished product, and all unsold resale merchandise in stock will be included in the physical inventory of the various departments.

2. The value of containers, empty or full, for which deposits have been placed with vendors will be included in the inventory of the applicable department. Containers which are so damaged that they cannot be returned to the vendor will be inventoried and a notation will be made of their condition so they may be disposed of. Items out on loan for which activity holds custody receipts will be counted as items on hand, after a reasonable sample of custody receipts are verified. Discrepancies will be investigated as required by the inventory team.

(d) Cash Counts. A member of the inventory team shall verify by actual count the petty cash fund, the change fund, and undeposited receipts. The total amounts of each fund will be accounted for. All non-cash items should be documented on a locally devised form and retained. The manager or designee will be continuously present during the count, and will affirm the return of the cash funds to his possession. Trace amounts of the petty cash and change funds to the general ledger balance. The amount of undeposited receipts should equal the amounts reported on the daily activity sheet since the last

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deposit plus current sales. Management and Command Evaluation Staffs/Audit Boards should make surprise counts as appropriate.

(e) Inventory Discrepancies. All inventory variances will be investigated to the satisfaction of the CO. The investigation will include, but not be limited to:

1. Review of inventory counts for proper quantity, measure, identification, and price;

2. Inventory extensions and total;

3. Physical inspection of facilities for inventory not counted or double counted;

4. Review of sales cut-off;

5. Review of purchase cut-off;

6. Review of price changes;

7. Review of departmental transfers; and verification of Inventory Summary worksheets and variance computation, Physical inventory variances will be charged or credited to the inventory shortages/overages account and the inventory account charged or credited to reflect the physical inventory value. The adjustment will be made based upon the physical inventory extended value after investigation of discrepancies has been completed.

514. Adjusting and Closing Entries

a. General

(1) End Of Accounting Period. At the end of an accounting period, before the financial position of an activity can be determined, it is necessary to make various accruals, adjustments, and closings to certain accounts to effect corrections, and to record transactions not previously made.

(2) Accrual Method. Under the accrual method of accounting various income and expense items that have accrued (accumulated) from day to day must be recorded at the end of a period. It is not practical or convenient to record this information daily, but the complete information is needed at the

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end of a period. These end of period entries are called "adjusting entries". Adjusting entries are needed to record:

(a) Prepaid items used and/or consumed during the period.

(b) Salaries and wages earned but not paid.

(c) Income earned but not received.

(d) Decrease in the value of equipment, buildings, and vehicles.

(e) Transactions not previously made.

b. Adjusting Entries

(1) Prepaid expense accounts will be adjusted by entries debiting the expense accounts for the amount that has been consumed during the accounting period and crediting the applicable asset account. When an activity buys and stores an asset which will be consumed or used in the future, the value of the item will be maintained in an asset account until it is used. When it is consumed or used, the asset account will be decreased (credited) and an expense account will be increased (debit).

(2) Any hours worked between the last pay period of the month and month end must be accrued and the expense reflected.

(3) The accrual of interest income is accounted for by an entry debiting receivables and crediting interest income. Investments earn interest on a periodic basis although the cash may not be received.

(4) Whenever the activity receives an asset (i.e., customer deposit) that is unearned, a liability exists, not income. When the activity has performed the service or given the assets to this individual or business, thus earning legal title to the original asset received, an entry will be made transferring the balance or the amount from a liability account to an income account. All accrued liability accounts will be adjusted with entries to the appropriate income and expense accounts.

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(5) It may be necessary to adjust the General Ledger balances of the departmental resale inventories because of physical inventory valuations. These accounts, when approved by the commanding officer, will be adjusted to show only the annual closing inventory. When the closing inventory is greater than the opening inventory, it is apparent that more merchandise was received than was sold. The applicable cost of goods sold account will be decreased, and the inventory account increased by the amount that the closing inventory exceeds the opening inventory. An entry will be made debiting the inventory and crediting cost of goods sold. As a result the inventory accounts will be adjusted to the value of inventory actually on hand and the cost of goods sold account will show the cost of merchandise sold. The above entries will be reversed when the closing inventory is less than the opening inventory.

(6) Issues and direct deliveries to a department will be charged to an inventory account. At the end of the period, an adjusting entry will be required if the department has used more or less inventory than has been issued during the period.

(7) If an activity's inventory increases, the value of all of the goods received has not been used; if it decreases, the value of all of the goods received and part of the beginning inventory have been used. This procedure is summarized in the cost of goods sold section of the profit and lost statement.

(8) Warehouse or storeroom perpetual inventory records normally should agree with the value of the merchandise on hand in storage. However, if the value of the physical inventories is greater than the value of the perpetual inventory, an entry will be made debiting warehouse inventory and crediting an inventory overage account for the difference. If the value of the perpetual inventory is greater than the value of the physical inventory, an entry will be made debiting an inventory shortage expense account and crediting warehouse inventory for the difference. All adjustments will be investigated to the satisfaction of the CO. Appropriate documentation for the adjusting entries will be retained for subsequent utilization during investigations or disciplinary actions.

c. Closing The Books

(1) Month End. At the end of each month it is necessary to perform tasks that will ensure all transactions are

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properly recorded in the correct accounting period. Such tasks include:

(a) A review of all Revenue and Expense accounts to identify missing transactions.

(b) Post recurring entries. Recurring entries post the same amounts to the same accounts each month.

(c) Record expense accruals or adjust prepaid items.

(d) Post accrual reversals. Reverse accruals that were posted in a prior month (if necessary).

(e) Ensure Depreciation Expense is properly recorded for Fixed Assets. Depreciation is currently posted by CNIC, Headquarters. Field locations should check depreciation accounts to make sure the expense has been properly recorded.

(f) Ensure assessments from the Central Funds (i.e. Property/Liability insurance) have been properly recorded. Assessments are currently posted by headquarters. Field locations should check assessment accounts to make sure the expense has been properly recorded.

(g) Ensure Interest Income is properly recorded. Interest is currently posted by headquarters. Field locations should check interest accounts to make sure the income has been properly recorded.

(2) Year End. At the end of the fiscal year, it is necessary to perform all of the Month End tasks as outlined above. In addition, it is necessary to close the equity accounts (Accounts 292000-298000) to Retained Earnings (account 291000). This task is currently performed by headquarters. Field locations should check equity accounts to make sure equity has been properly rolled to Retained Earnings.

515. Special Procedures

a. General. The procedures contained in this section are applicable to the groups or types of activities indicated. They are supplemental to procedures contained in references (l), (m) and (q).

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b. Navy Gateway Inns and Suites (NGIS) Lodging Facilities

(1) Category "A" Lodging Programs. Both APF and NAF resources are authorized, depending on the nature of the element of expense. Effective financial management of these resources is critical to the success of the lodging program.

(2) APF Support. The NGIS Lodging Manager will be proactive and work with local and region program managers to identify and program requirements for facilities and operations. Appropriations used within the lodging program:

(a) MILCON. Regions will develop a MILCOM program plan that spans the Future Years Defense Program (FYDP) for the replacement of facilities.

(b) O&M,N. Civilian salaries, furniture and furnishings, travel, and transportation are included in Lodging Operations (LO) Special Interest Codes (SIC). Sustainment, Restoration and Maintenance (SRM) will be coordinated with appropriate program managers. These funds are only available for the fiscal year Congress appropriates them.

(3) Non-Appropriated Billeting Fund (NABF). The NABF is a separate, self-sustaining NAF that collects fees to cover operating costs from authorized guests occupying transient accommodations.

(a) The NABF will provide amenities and services that APF is prohibited or not available to fund, including NAF authorized operating and capital requirements. Each location will be required to establish a NABF IAW reference (a).

(b) The billeting fund operates on a self-sustainment basis. Annual budgets for the NABF will be prepared that identify operating and capital expenditures. Additionally, five year plans that map capital and operating plans are updated annually in the NAF budget call.

(c) In order to protect the NAF against misappropriation, misuse, damage, or loss, the NABF Administrator will ensure adequate internal control procedures are established and followed consistent with the policy and procedures outlined in this guide and other DoD and Navy directives, as applicable.

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(4) Fiduciary Responsibility

(a) CNIC has overall fiduciary responsibility and accountability for non-appropriated billeting funds.

(b) The Region Lodging Program Director is responsible for the region NABF, and subordinate installation NABFs, and will appoint qualified persons to manage the operation per reference (a). See CNIC Portal lodging section for sample appointment letters.

(c) When modifications are made, e.g., dollar amounts or personnel changes, new letters must be initiated and submitted for approval. If old letters are maintained for reference, ensure they are kept in a separate folder and/or are marked void.

(d) All lodging staff personnel have an individual fiduciary responsibility for protection and proper use of the NABF. Internal control procedures will ensure the segregation of various functions within an operation to protect the NABF assets.

(5) Navy Central Billeting Fund (NCBF). The Navy Central Billeting Fund (NCBF) may generate revenue from interest income on central fund invested cash and an assessment on region and installation NABFs, (percentage of monthly program revenue) and residual funds when a NABF is disestablished. These revenues are used to pay for NAF expenses incurred by headquarters in support of field operations, provide operational and special purchase loans/grants, provide an emergency source of funds in the event of unexpected or catastrophic events and provide loans/grants for the establishment of NABFs.

(a) Loans. Managers may request, via the region, interest-free loans from headquarters. The purpose is for procurement of capital expenditures, such as purchase of furniture and equipment under the Whole Room Concept, for which funds are not immediately available, but the NABF is capable of generating the funds over the life of the loan, normally up to 72 months.

1. The request will include a detailed listing of items requested, quantities, unit prices, and any ancillary expenses included, such as transportation and installation, and the contract number of the source, e.g.,

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General Services Administration (GSA) or Air Force Non-Appropriated Fund Purchasing Office (AFNAFPO).

2. If approved, the NABF will restrict funds provided by the loan and will procure the capital expenditure within 12 months of receiving the loan. Headquarters will recoup any funds, in total or partial, not expensed 12 months after the funds are provided.

3. Ability to repay the loan includes three year installation and region fiscal performance. Regions may authorize fund loans from the MWR.

(b) Grants. Managers may request a grant, via the region, from headquarters. The purpose of the grant is to fund operational day-to-day expenses or unfunded capital expenditure requirements, for which funds are not immediately available nor is the NABF capable of generating the funds over a 12 month period for operating grants or a 72 month period for capital expenditures.

1. The request for a grant will include the reason why funds are needed and a detailed listing of items requested, quantities, unit prices, and any ancillary expenses included, such as transportation and installation and the contract number of the source, e.g., GSA or AFNAFPO, if applicable.

2. The NABF will restrict funds provided by the grant and will utilize the funds within 12 months of receiving the grant as stated in the authorizing letter. Headquarters will recoup any funds, in total or partial, not expensed 12 months after the funds are provided.

(6) Establishment and Disestablishment of Funds

(a) Establishment. CNIC, as the Navy Gateway Inns & Suites Program Manager, will approve or disapprove all requests to establish or merge NABF's IAW reference (1).

(b) Disestablishment. CNIC, as the Navy Gateway Inns & Suites Program Manager, will approve or disapprove all requests to disestablish an existing NABF. CNIC shall disestablish a NABF when the requirement for the NABF no longer exists, when consolidated with another NABF, when it is no

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longer a viable fiscal entity and cannot maintain self-sufficiency.

(7) Service Charges and Other Fees

(a) Service Charges (Room Rates). Charges are based on the cost of services and amenities provided. Rates will be set at the minimum level necessary to provide services and amenities equivalent to those of a mid-grade hotel, capitalization of case goods and FF&E. Headquarters will approve rates during the budgeting process. Rate adjustments require Installation CO approval. The Region program manager endorses these fees prior to headquarters submission. The operation will only charge transient guests for the days on which service is actually provided. Limited service is only authorized for designated extended stay rooms. Service for these guests will be provided a minimum of three times per week.

(b) Fair Market Rental (FMR). Public Law, USC, Title 5, Section 5911(f) requires that rental rates be established for certain guests residing in government quarters. It is Navy policy to establish rental rates at a reasonable value by comparison with equivalent commercial accommodations including furnishings, utilities, services, and equipment.

(c) Room Rate Reviews. Are required annually. Decreases in rates are not authorized as a result of those reviews.

(d) FMR Charges. Apply to a limited number of guests such as contractors whose lodging is not paid for by one of the military departments, contractor personnel residing on the installation, in remote or overseas areas and professors or civilian personnel on Permanent Change of Station (PCS) orders not receiving Temporary Quarters Subsistence Expenses (TQSE). See CNIC Portal lodging for sample Fair Market Rental form that outlines the process for establishing rates and provides additional guidance on how to account for the rate.

(e) Other Fees/Charges

1. Charges for Damaged, Lost, or Stolen NAF Property. Charges for damaged property will be the lesser of current value or repair cost. Charges for lost or stolen property will be the book value of the item, which is the original cost less accumulated depreciation. Charges for lost

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consumable items, such as hard keys will be the key replacement cost, the lock replacement cost, or cost of the locksmith services, depending on actual expense to the NGIS operation. All collections will be deposited into the billeting fund.

2. Charges for Damaged, Lost, or Stolen APF Property. Charges for damaged, lost or stolen property will be for the replacement cost or repair cost. Charges for loss of revenue may also be considered based on the nature of the damage, i.e., unable to rent room. Charges for lost consumable items, such as hard keys will be the key replacement cost, the lock replacement cost, or cost of the locksmith services, depending on actual expense incurred.

3. Special Cleaning Charges. Charges for cleaning a room left in a condition that requires the housekeeping staff to provide services not otherwise provided. The charge will be the actual cost to clean the room.

4. Sundry Sales. The Navy Exchange (NEX) has right of first refusal on all resale opportunities, followed by FFR in areas of recreation and food service. The manager will coordinate with NEXCOM and the region FFR Manager before pursuing a lodging resale venture. NEXCOM must provide written notice that they cannot or will not provide the desired sales operation to the lodging facility. Receipt of this document will permit lodging to provide these services. Lodging may only engage in sundry sales that could be found in the lodging industry. In some cases, a resale operation may not be a viable operation or the volume of sales may be too small in comparison to the labor and effort dedicated to provide the service. In these cases, the manager will consider offering items to the guests as amenities, either in the rooms or on request at the front desk. The additional cost of these amenities will be included in calculating the service charge rates.

5. Unauthorized Charges. Charges for Wi-Fi, key deposits, telephone service deposit to provide in-room telephone service, television cable/satellite service, rental fee for equipment loaned to guests during their stay whether purchased with APF or NAF and a cleaning deposit in anticipation of having additional cleaning expenses are not authorized.

(8) NAF Budgeting (Planning)

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(a) The manager has the responsibility for the preparation of a financial plan for the operation. The plan will determine how the NABF will meet its financial goals and objectives to accomplish the mission. Headquarters will distribute the NAF budget guidance via the region.

(b) The operating budget involves a projection of income and expenses for the budget year. Historical trends and past experience are important factors. However, the manager's knowledge of present and future events will ensure the plan includes any anticipated increases or decreases in occupancy, personnel expenses, room rates, or other factors that will influence the net profit or loss.

(c) The capital budget is a projection of expenditures for acquisition of fixed assets such as furniture, fixtures, and equipment (FF&E), including Whole Room Concept (WRC) and Total Room Concept (TRC). Each manager will develop and plan for a five-year cyclic replacement program for NGIS fixed assets.

(d) The cash flow budget will ensure sufficient funds are available each accounting period to support the planned operating expenses and capital purchases.

(9) Region Business Office Services. Where available, the Fleet & Family Readiness Service Center will perform NAF financial services. A Memorandum of Agreement (MOA) is required and in some cases, an operation may have two MOAs, one with the FFR Service Center and one with the local FFR office. The business office will provide agreed upon services for an annual fee that will be calculated on actual costs. The annual fee will be paid in equal monthly installments. This cost will include all expenses such as labor, supplies, travel and overhead. There will be an agreed upon hourly rate for miscellaneous labor and supplies over and above the agreed upon services. The business office will invoice lodging monthly for services rendered. Region Lodging Program Directors and/or NGIS Lodging Managers are required to review financial data for their activity at least monthly and work closely with RBO to ensure accurate recording of all financial transactions.

(10) Collection of Bad Debts. Collection of all debts owed to the DoD or any of its instrumentalities will be pursued aggressively in accordance with 37 U.S.C., Section 1007(c). Region Lodging Program Directors will take a proactive and

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aggressive approach in monitoring and guiding collection of bad debts at all lodging facilities. Upon recognition of a bad debt, or receipt of a dishonored check, bad debt information must be recorded and collection processes initiated. See reference (m) for detailed guidance.

(11) DV/Flag Operations. If DV occupancy is less than 35% or the cost center is not breaking even, NAF may not be spent on anything other than basic guest services and amenities.

(12) Self-Insurance Program. The property, casualty and bonding self-insurance program provides financial protection for loss or damage to assets purchased with NAF; payment of properly certified third party liability claims; acts/omissions of NAF employees and volunteers (excluding workers' compensation benefits coverage) while acting within the scope of their duties and in accordance with reference (e).

c. Military Student Subsistence and Commuted Rations

(1) NROTC Midshipmen, Contract Students, and Third Class USNA Midshipmen. NROTC midshipmen, contract students, and Third Class USNA midshipmen while on training under orders away from their unit are entitled to rations in kind only. Accordingly, when they are ordered to subsist in a non-appropriated funded mess, the mess will be reimbursed for their subsistence by the host activity submitting a bill to the local disbursing officer for the cost of meals consumed in accordance with the procedures outlined in reference (a).

(2) First and Second Class USNA Midshipmen. All members will either join the mess or pay cash for meals consumed.

(3) Army and Air Force Cadets. Payment for subsisting Army or Air Force cadets will be accomplished by submitting a bill to the appropriated military academy for meals consumed following the general guidance contained in reference (c) for Naval midshipmen.

(4) Commuted Rations. Commuted rations for assigned enlisted personnel detailed to work at the activity will be paid in the manner prescribed in reference (a).

d. Guest Houses, Hostess Houses, and Navy Lodges

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(1) Room Registration. A registration record will be used to register all guests of Marine Corps temporary lodging facilities and Navy lodges.

(2) Room Charges. Each guest will be given a receipt for funds collected for room charges. Receipts will be procured locally, pre-numbered, and used in numerical sequence with each number accounted for.

e. Transient Family Accommodations

(1) Occupancy Procedures

(a) General. A registration record will be prepared for and signed by each tenant and filed by tenant's name, for ready reference, until the unit is vacated. A visible index file is preferred. When the unit is vacated the registration record will be removed, completed, and filed by month of vacancy for audit purposes. Each tenant will be furnished an inventory of the contents of the unit occupied, and the condition thereof, and will acknowledge receipt in writing.

(b) Occupancy Record. The accommodations' officer or designated representative will maintain an occupancy record of each unit. The record will indicate the move-in date and the intended date of vacancy. The intended date of vacancy will be changed to the actual date of vacancy when the tenant actually vacates. The accommodations' officer, or designated representative, will verify that the unit is vacated on the date specified and inspect the unit and its contents for loss or damage before the tenant receives a refund or leaves the premises.

(2) Charges

(a) General. Each tenant is required to pay rent for the premises occupied which will include furniture, fixtures, and utilities. In addition, each tenant is required to pay for the loss of or damage to the premises occupied, including contents when such loss or damage is caused by deliberate or negligent acts of the tenant, members of his household, or his guests. The tenant will sign an agreement that he accepts financial responsibility.

(b) Unit Rental Rate. A daily fixed unit rental rate for each type of unit will be established by the

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accommodations officer and approved by the CO. The rate will include the following items:

1. Estimated cost to maintain each unit,
2. Estimated depreciation cost of the contents of the unit,
3. A onetime cleaning and linen charge,
4. Estimated cost of common services,
5. Estimated cost of utilities furnished, and
6. Amount to cover the cost of overhead expenses.

(c) Direct Charges. The tenant will be required to pay directly for services furnished from sources other than those furnished by the transient family accommodations' officer.

(d) Advance Payments and Security Deposits. The tenant will be required to pay, in advance, for the estimated number of days he intends to occupy the premises. The establishment of a security deposit to forestall delinquencies, or to cover loss or damage of government property, will be optional and within the discretion of the CO, and, if required, will be in addition to the advance rental payment. The amount of the security deposit, when required, will be established by the accommodations' officer and approved by the CO.

(e) Refunds. The tenant will be refunded the difference between the advance payment made and the actual rental charge, and the amount of the security deposit or the difference between the amount of the security deposit and any charges assessed for loss or damage to government property. Such refunds will be made in cash from the departure fund, cash receipts, or a change fund when accompanied by proper, documentation. In those instances where the charges for loss or damage to government property exceed the amount of the security deposit, the additional funds will be collected from the tenant before he leaves the premises.

f. Host Nation Support-Master Labor Contract (MLC) Cost Sharing. In those cases where a foreign country is committed to

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fund part of the personnel allowances for its nationals, then
the NAF shall be obligated only for the NAF portion of the cost.

CHAPTER 6

**RULES RELATIVE TO THE PROTECTION OF BANK DEPOSITS
(CHECKING ACCOUNT)**

601. Responsibility. The manager, as a direct representative of the CO, is responsible for the protection of all NAFs, including deposits with financial institutions and the associated collateral requirements in accordance with references (a) and (e).

602. Deposits with Insured Institutions in the United States. Only banks and savings and loans insured by the Federal Deposit Insurance Corporation (FDIC) or credit unions insured by the National Credit Union Administration's (NCUA) Insurance Fund (NCUSIF), shall be selected as depositories for non-appropriated funds. The standard maximum deposit insurance amount (SMDIA) and the maximum share insurance amount (SMSIA) per depositor is \$250,000.

603. Insured Deposits. The term "insured deposit" means the net amount due to any depositor for deposits in an insured bank or savings and loan, after deducting offsets, less any part thereof which is in excess of the maximum coverage. The net amount shall be determined according to such regulations as the Board of Directors of the Federal Deposit Insurance Corporation may prescribe. The above method also is applied to funds deposited in insured credit unions. Deposits maintained in the same insured institution in different rights or capacities are not added together for insurance computation. When a custodian has custody of several funds/accounts and each fund/account is maintained in a different right or capacity, each fund/account is entitled to the maximum insurance coverage. The foregoing provides that one or more funds/accounts can be administered by a single custodian without impairing the insurance protection.

604. Pledge of Collateral. Deposits in excess of insured amounts are required to be collateralized, prior to the depositing of the funds, by the institution pledging acceptable collateral with the district Federal Reserve Bank or a third party custodian approved by a Federal Reserve Bank. If necessary collateral is not pledged as requested, the excess funds should be removed from the financial institution. All collateral must be securities issued by the U.S. Treasury.

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605. Deposits with Overseas Branches. Deposits in overseas branches of United States banks are not insured when deposits are only payable in a foreign country or at an office of the bank located in areas outside the United States, District of Columbia, Puerto Rico, and the Virgin Islands. Therefore, collateral in the full amount will be required to cover such uninsured deposits. Deposits in the currency indigenous to the country may be made in branches of United States banks or in foreign depository banks without collateral but are limited to the amounts required for current operating expenses and construction and severance/retirement liabilities, as collateral cannot normally be obtained from foreign banks.

606. Utilization of Banking Facilities. The services of banking institutions operating on military installations will be utilized when the on-base banking institution can provide the types of service needed at a competitive price. If such services are not available at the installation banking facility, service may be contracted for elsewhere.

607. The Investment of Funds. Policy relating to the investment of funds in excess of current operating requirements is provided in reference (d).

CHAPTER 7

**FEDERAL UNEMPLOYMENT COMPENSATION PROGRAM FOR NON-APPROPRIATED
FUND PAID EMPLOYEES**

701. General

a. Authority. 5 U.S.C. 8501 et seq. amended the Social Security Act by adding an unemployment insurance program for Federal civilian employees. The Secretary of Labor administers the program through agreements with state employment security agencies. Under terms of each agreement, the state agency, as an agent of the United States, takes claims and pays benefits to eligible Federal service employees under the same terms and conditions of its state unemployment compensation law which apply to industry employees who are covered by and file claims under the state law. In those instances where the Secretary of Labor does not have an agreement with an individual state, the Secretary, under regulations prescribed by him, shall pay a claim in the same amount, on the same terms, and subject to the same conditions as would be paid under the unemployment compensation law of the State if an agreement did exist.

b. Eligibility. NAF paid civilian employees and military personnel employed voluntarily during off-duty hours are considered as having rendered "Federal Service", thereby, entitling them to unemployment benefits. To be eligible for employment benefits under any state law, a claimant must be ready, willing and able to work, in addition to meeting other conditions prescribed under the state law.

c. Base Period. The amount of unemployment benefits to be paid and the number of weeks for which benefits will be paid is based on the amount of "Federal Service" (and state covered) wages earned in a 52-week period (base period) preceding the claim. "Base period" is a 52-week period defined in each state law, is variable among the state, and in most states is the first four of the last five completed calendar quarters preceding the claim.

702. Coverage. All employees paid NAFs within the United States, Puerto Rico, Virgin Island, and all United States citizen employees wherever located perform "Federal Service" for unemployment compensation purposes. The program requires no contributions from MWR employers or employees and provides unemployment benefits similar to those provided to workers in

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private industry. DON pays the cost of any benefits paid to its employees.

703. Notification To Employees. Standard Form 8, Notice to Federal Employees about Unemployment Compensation will be issued on or before the last day of active duty to employees whose services terminate for any reason, who transfer to an activity served by a different payroll office, or who are placed in a non-pay status for seven or more days. Additionally, a personnel separation statement will be issued showing the employees' name and social security number, salary rate, date of separation and specific reason(s) for separation or placement in a non-pay status. (The employing unit should maintain a copy of this locally produced personnel action document for reference purposes.) Activities will ensure that the payroll unit designation and address and Navy FFR identification code 426 are inserted in the space provided on SF-8 is current and complete. On presentation of the SF-8 when claim is filed, the state agency addresses its request for wage and separation information (Form ETA-931) to the payroll unit address shown on the SF-8.

704. Request For Wage and Separation Information

a. Responsibility. Pursuant to 5 U.S.C. 8501-8508 requirements, Navy activities will furnish information requested by state employment security agencies concerning civilian employee's wages and employment to determine claimant's entitlement to unemployment compensation benefits.

b. Submission of Request. The state agency will send Form ETA-931, Request for Wage and Separation Information, to the payroll office address shown on SF-8 when a claim is filed by a former employee. The activity will complete all Form ETA-931 items on the basis of its payroll records and personnel action documents. Navy Identification Code 426 will be entered in Section II, Item 4, on all Forms-931. One complete form will be retained in a separate alphabetical file by name and the remaining Form ETA-931 copies returned to the state employment security agency address shown on the form. The file copy of the Form ETA-931 copies and related unemployment compensation forms will be retained for a period of at least two years.

c. Control of Form ETAS-931. A control (register or card file) will be established to ensure that the completed Form ETA-931 and related forms (Form ETA-931), Request for Information or Reconsideration of Federal Findings (Form ETA-936), and Request

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for Verification are returned to the state agency within four working days of receipt of the form. If the Form ETA-931 cannot be completed and returned within four working days of receipt, the activity will immediately inform the state agency that completion and return will be delayed and will include an estimate as to when the completed form will be returned. If another activity has the wage employment records required for completion of Form ETA-931, the form should be sent to that activity for completion and the state agency should be advised of the transfer. If there is no record of employment, all forms should be returned promptly to the state agency with the notation "No record of employment."

705. Source of Information to Complete Form ETA-931.

Information for completion of Form ETA-931 will be obtained from the individual pay record. The pay record should be retained for 30 days in the event that the state agency may request information in addition to that reported on Form ETA-931. If a Request for Additional Information, Form ETA-934 is pending, the pay record should be retained until such request has been processed.

706. Completion of Form ETA-931

a. Information furnished by state agency. The state agency will have completed the parts of the form which identify the claimant for whom wage and separation information is being requested and which specify the base period for which wage data are needed.

b. Completion of entries by activity payroll office

(1) Item 1a, Federal Service. Check "yes" or "no" as applicable. If no employment was performed during base period specified, briefly explain, completed item 3, sign the form and return to state agency. Any question concerning whether or not a specific type of service is "Federal service" will be referred to the office of Civilian Manpower Management for determination.

(2) Item 1b, Location of last employment. Enter the state or foreign country in which "duty station" was located as described on Form ETA-931.

(3) Item 2a, Base Period - Wage Information. Enter gross wage information before reductions for the base period indicated. Complete the item in the manner and only to the

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extent specified. Include in "base Period wages" all remuneration including cost of living allowances, post differentials, back-pay awards, payments for sick leave, allowances in kind and retroactive pay increases (allocated to the period in which paid). Report lump-sum terminal leave payments exclusively in item 3a, Form ETA-931.

(4) Item 3, Terminal Leave and Separation Information

(a) Item 3a, enter information as to whether or not lump-sum terminal leave payment was made. If "yes", enter dates or period covered by terminal leave and enters the dollar amount of the lump-sum payment for terminal leave and the date of payment. If "no", so indicate. Also enter the hourly rate of pay and the claimant's hours of regular duty per workday and basic work week hours.

(b) Item 3b, enter the date on which the employee was separated.

(c) Item 3c, enter the date of the employee's last day of active pay status, if earlier than date of separation of if employee has not been separated.

(d) Item 3d, enter reason for separation or non-pay status. If past experience with Forms ETA-934 in similar cases shows the information in "Remarks" is inadequate for state agency adjudication purposes (such as "Suspended", "Retired", "Personal Reasons"), enter, in addition, clarifying findings obtained from the personnel office.

707. Back Pay Awards. Back pay awards may require a redetermination of a claimant's benefit rights, or the recovery of benefits already paid. Therefore, the state agency to which a Form ETA-931 has been sent for such employee should be informed by letter of the date, amount, and period covered by the pack pay award. Upon receipt of this information, the state agency will determine whether such back pay wages are in the claimant's base period. If the back pay wages are in the claimant's base period, the state agency will request a corrected assignment of wages by Form ETA-931 to include the amount of back pay wages determined to be in the claimant's base period along with other wages for the period. The activity will not attempt to deduct unemployment compensation benefit payments form back pay awards (35 Comp. Gen 241). Recoveries will be made exclusively by state agencies.

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708. Request For Information or Reconsideration of Federal Findings, Form ETA-934

a. It is essential that the state agency have adequate information on which to base its determination of entitlement. If for any reason the information supplied on Form ETA-931 is not adequate, the state agency or state administrative appeal authority will request additional information. Provision is made also for a claimant within the time limits specified in the state law, to request a Federal agency to supply additional information or to reconsider its findings. The claimant's request will usually be made through the state agency with which his claim was originally filed. These requests may be made by Form ETA-934, Request for Information or Reconsideration of Federal Findings, by letter, or by other state forms. To expedite processing, all requests should be subject to the same control as Form ETA-931.

b. If an answer cannot be made in four days, the state agency should be notified when an answer can be expected. The Federal agency shall furnish any relevant information requested which it is not otherwise prohibited by law from releasing. If the request is for reconsideration of findings, the Federal agency should consider any information supplied by the claimant, the state agency, or the state administrative appeal authority, and should review its findings. It should promptly correct any errors or omissions and should reverse, modify, or affirm its findings, and should advise the state agency of its action and the basis thereof. The Forms ETA-934 pertaining exclusively to separation information should be referred to the personnel office for its action. The personnel office should return the completed Form ETA-934 should be retained and the remaining completed forms returned to the state agency.

709. Verification of Wage and Separation Reports. Each state agency will request verification of a sampling of Forms ETA-931. These requests will be made on Verification Letter Form ETA-936. This form should receive the same prompt attention as Form ETA-931. In order to provide a proper check, it is desirable that Form ETA-936 be completed by an employee other than the person who prepared the original Form ETA-931. The state agency will send a representative to visit any activity if a reply to Form ETA-936 indicates that there has been a lack of understanding of the program, that errors have been made, or that the activity desires to discuss reporting problems.

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710. Notice to State Agency of Refusal of Work Offer

a. When an offer of reemployment is refused by a former employee who worked for the activity in the area covered by the personnel and payroll offices where the offer is made, the personnel office should promptly notify the payroll office of the refusal. On receipt of such notice, the payroll office will review its alphabetical file of completed Forms ETA-931 to determine whether the file contains a form pertaining to the person who refused reemployment. A copy of a completed Forms ETA-931 should be maintained in this file for every former employee in the area covered by the payroll office filed a claim for unemployment compensation benefits.

b. If the file reveals that the former employee filed claim for unemployment compensation benefits and if the "Date of Request" in the upper right-hand corner of the Form ETA-391 is within 12 months of the date on which re-employment was offered, a notice should be sent to the state agency which initiated the Form ETA-931, giving the following information: The employee's name and social security number, the date of the job offer, the nature, location and salary of the job offered, and the reasons for the refusal, if known.

711. Other State Forms. In addition to receiving Forms ETA-931, 934, and 936, payroll units will receive several types of state agency forms furnishing information or requesting information. Two of these forms may be as follows:

a. Notice to Claim Determination. Most state laws require mailing of this form to former employers notifying them about a state decision on a claim filed by a former employee. If it appears from the notice that the state agency may pay benefits where, in the opinion of the payroll or personnel officer, the facts concerning separation should prevent such payment, the activity should file an appeal from such determination as instructed on the form.

b. Request for Wage Information for a Specific Week. When a claimant reports earnings from part-time work, state agencies will request employer verification of the amount of such earnings. Requests are also made when the state believes that the claimant had earned wages, but failed to report such earnings.

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712. Distribution of Unemployment Compensation Costs to Former Employing NAFs. The Department of Labor assigned Federal Agency Codes (FAC) to identify "Bill to Navy Activities". Each "Bill to Activity" must identify each claimants former employing activity and work-related information, i.e., wages earned, social security number, period worked, job title, reason for dismissal, etc. The following FAC(s) are assigned to the Navy and should appear on all documents used to process claims.

<u>Federal Agency Code</u>	<u>Bill to Activity</u>	<u>Includes NAFs under the Command of</u>
807	Navy Exchange Service	The Navy Exchange System and Military Sealift Command
808	Fleet and Family Readiness	Commander Navy Installations Command
809	Marine Corps MWR Support Activity	The Marine Corps Exchange System

FAC 426 should be used after 30 September 1985.

713. Billing Period. Billing by the Department of Labor is accomplished on a quarterly basis and started on February 1986. The program manager has the discretion to reimburse the Department of Labor from either the central activity or individual NAF.

714. Reporting Requirements. The Bureau of Labor Statistics requires an initial identification of all NAFs by name and address that fall under each FAX. Subsequent reporting is limited to additions or deletions of NAFs. These reports should be forwarded to DFAS-HQ-A.

715. Remittance Address. Remittance checks are payable to the U.S. Department of Treasury and submitted along with the Department of Labor request for reimbursement vouchers to the following address:

U.S. Department of Treasury
Trust Fund Branch
Pennsylvania Avenue and Madison Place NW

CNICINST 7000.3
1 Aug 2012

Treasury Annex No. 1, Room 326
Washington, D.C. 20226

ABBREVIATIONS AND ACRONYMS

ACH/CTX	Automated Clearing House/Corporate Trade Exchange
ADP	Automated Data Processing
AFNAFPO	Air Force Nonappropriated Fund Purchasing Office
AIMS	Accounting and Information Management System
AP	Account Payable
APF	Appropriated Fund
ASN (M&RA)	Assistant Secretary of the Navy (Manpower & Reserve Affairs)
BPA	Blanket Purchase Agreement
BRAC	Base Realignment and Closure
BUPERSINST	Bureau of Naval Personnel Instruction
CFC	Combined Federal Campaign
CNIC	Commander Navy Installations Command
CO	Commanding Officer
COGS	Cost of Goods Sold
COLA	Cost of Living Allowance/Cost of Living Adjustment
CONUS	Continental United States
CR	Credit
CSSO	Community Support Service Office
DAR	Daily Activity Record
DD Form	Department of Defense Form

DFAS	Defense Finance and Accounting Service
DoD	Department of Defense
DON	Department of the Navy
DR	Debit
DV	Distinguished Visitor
Dz	Dozen
DRMO	Defense Reutilization Marketing Office
Ea	Each
e.g.	Example
ETA Form	Employment and Training Administration
EFT	Electronic Fund Transfer
FAC	Federal Agency Codes
FF&E	Furniture, Fixtures & Equipment
FFR	Fleet and Family Readiness
FDIC	Federal Deposit Insurance Corporation
FICA	Federal Insurance Contributions Act
FIFO	First-In, First-Out
FMR	Fair Market Rental
FUTA	Federal Unemployment Tax Act
FMR	Financial Management Regulation
G&A	General and Administrative
GJV	General Journal Voucher
GL	General Ledger

Gr	Grams
GSA	General Services Administration
HQ	Headquarters
IBOP	International Balance of Payments
i.e.	That is
IRS	Internal Revenue Service
ITT	Information, Tickets and Tours
JAG	Judge Advocate General
LES	Leave and Earnings Statement
LO	Lodging Operations
MOA	Memorandum of Agreement
NABF	Nonappropriated Billeting Fund
NAF	Nonappropriated Fund
NAVCOMPT	Navy Comptroller
NAVFAC	Naval Facilities Engineering Command
NAVSO	Navy Secretarial Office
NCBF	Navy Central Billeting Fund
NCUA	National Credit Union Administration
NCUSIF	National Credit Union Administration Insurance Fund
NEX	Navy Exchange
NEXCOM	Navy Exchange Service Command
NGIS	Navy Gateway Inns and Suites
NMI	Northern Marianas Islands

No.	Number
NROTC	Navy Reserve Officers Training Corps
OPNAVINST	Operational Navy Instruction
OPTAR	Operating/Operational Target
PCPW	PC Payroll for Windows
PCS	Permanent Change of Station
POC	Point of Contact
POS	Point of Sale
RAMCAS	Recreation and Mess Central Accounting System
SAP	System Application and Products
SECNAV	Secretary of the Navy
SECNAVINST	Secretary of the Navy Instruction
SF	Standard Form
SIC	Special Interest Codes
SMDIA	Standard Maximum Deposit Insurance Amount
SMSIA	Standard Maximum Share Insurance Amount
SRM	Sustainment, Restoration and Maintenance
SSAN	Social Security Account Number
TDY	Temporary Duty
TFRM	Treasury Fiscal Requirements Manual
TQSE	Temporary Quarters Subsistence Expenses
TRC	Total Room Concept
UCMJ	Uniform Code of Military Justice

UFM	Uniform Funding and Management
U.S.	United States
U.S.C.	United States Code
USNA	United States Naval Academy
W-2	Employee Wage Report Form
Wi-Fi	Wireless Fidelity
WRC	Whole Room Concept

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TERMS OF REFERENCE

Accounting - The process of recording, classifying, and summarizing financial transactions and interpreting the results.

Accounting Information - Information provided to users that is timely, relevant, reliable, cost beneficial, material, comparable, and consistent.

Accounting System - The structure of methods and procedures used to record, classify, accumulate, analyze, summarize, and report information on the financial condition and operating position. It is comprised of the various functional operations involved in authorizing, recording, classifying, analyzing, and reporting financial information related to financing sources, gains, expenses, losses, transfers, assets, liabilities, equity, and internal controls. It encompasses the procedures and processes from the point a transaction is authorized through processing the data, either manually or automatically, to issuance of financial and management information statements and reports.

Accounts Payable (AP) - Obligations to pay for goods or services that have been acquired on open account from suppliers. Accounts payable is a current liability in the balance sheet. Debt an entity must pay off within the year.

Accounts Receivable (AR) - Amounts due the entity from customers who have bought merchandise or received services that have been delivered or used, but not yet paid for. Accounts receivable are presented as a current asset in the balance sheet.

Accumulated Depreciation - The accumulated depreciation of an asset up to a single point in its life. Regardless of the method used to calculate it, the depreciation of an asset during a single period is added to the previous period's accumulated depreciation to get the current accumulated depreciation.

Appropriated Funds (APF) - Monies provided by the Congress, under statutory authority, from the U.S. Treasury for specified purposes.

Assets - Anything of material value or usefulness that is owned by an entity. Assets are formally controlled and managed within an organization via the use of tracking tools.

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Balance Sheet - Condensed statement that shows the financial position of an entity on a specified date (usually the last day of an accounting period). Among other items of information, it states (1) what assets the entity owns, (2) how it paid for them, (3) what it owes (its liabilities), and (4) what is the amount left after satisfying the liabilities. Balance sheet data is based on a fundamental accounting equation (assets = liabilities + net worth).

Base Realignment and Closure (BRAC) - It is a process DoD has previously used to reorganize its installation infrastructure to more efficiently and effectively support its forces, increase operational readiness and facilitate new ways of doing business. The process is governed by law; specifically, the Defense Base Closure and Realignment Act of 1990.

Blanket Purchase Agreement - The agreements are used to allow approved agencies to order and pay for supplies and services that they purchase from approved vendors several times a year. In accordance with Federal Acquisition Regulation (FAR) 8.405.3, ordering activities may establish BPAs under any GSA Schedule contract.

Book Value - The value of an asset according to its balance sheet account balance. For assets, the value is based on the original cost of the asset less any depreciation, amortization or impairment costs made against the asset.

Break-even Point (BEP) - Point in time (or in number of units sold) when forecasted revenue exactly equals the estimated total costs, where loss ends and profit begins to accumulate. This is the point at which a business, product, or project becomes financially viable.

Cash - Consists of amounts on demand deposit with banks or other financial institutions, coins, paper currency and readily negotiable instruments, including money orders, checks and bank drafts on hand or in transit of deposit.

Change Funds - Are used to make change and cash checks. The business manager or designee may replenish the funds at the end of the day with cash received from operations as long as all the daily receipts are deposited in total.

Chart of Accounts - See Uniform Chart of Accounts.

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Commander, Navy Installations Command (CNIC) - The authority responsible for shore installation management under the United States Navy; it is responsible to the Chief of Naval Operations. CNIC was established 1 October 2003.

Commanding Officer - An officer officially appointed to command a unit.

Consignment Agreement - A contract where the owner of goods turns them over to a seller (such as a store), who will attempt to sell the goods. If the seller sells the goods, the seller and the owner of the goods share in the sales price.

Cost of Goods Sold (COGS) - A financial statement figure which reflects the cost of obtaining raw materials that go into creating products that an entity sells; therefore, the only costs included in the measure are those that are directly tied to the production of the products. The basic way to calculate COGS is to start with beginning inventory for the period and add the total amount of purchases made during the period, add or subtract any transfers, and then deduct the ending inventory.

Credit (CR) - The right-hand side of an account on which such entries are made (opposed to debit) that represents the reduction of an asset or expense or the addition to a liability or revenue.

Current Assets - A balance sheet item which equals the sum of cash and cash equivalents, accounts receivable, inventory, marketable securities, prepaid expenses, and other liquid assets that could be converted to cash in less than one year. Current assets are important to entities because they are the assets that are used to fund day-to-day operations and pay ongoing expenses.

Current Liabilities - Obligations that are expected to be paid or performed within one year or within the normal operating cycle of an entity, whichever is longer. Current liabilities appear on the entities balance sheet and include accounts payable, accrued expenses, short-term debt, portion of long-term debt payable.

Debit (DR) - An accounting entry acknowledging sums that are owing and recorded on the left-hand side of an account or accounting ledger where bookkeeping entries are made.

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Department of Defense (DoD) - The executive department in the federal government that is responsible for providing the military force needed to deter war and protect the security of the United States; created in 1947.

Department of the Navy (DON) - The Navy is one of three primary components of the United States Military. Incorporating the Marine Corps, it serves along with the Army and the Air Force as part of the nation's defense. The Navy's mission is to protect the United States as directed by the President or the Secretary of Defense by the effective prosecution of war at sea. The Department of the Navy and the Office of Secretary of the Navy were established by the act of April 30, 1798.

Depreciation - The systematic and rational allocation of the acquisition cost of an asset, less its estimated salvage or residual value, over its estimated useful life.

Electronic File Transfer (EFT) - A system for ensuring the security of financial transactions on the Internet.

Expenses - Money expended or cost incurred in an entity's efforts to generate revenue, representing cost of doing business. Expenses maybe in the form of actual cash payments (such as cost of goods, wages and salaries), a computed 'expired' portion (depreciation) of an asset, or an amount taken out of the entity's income statement as deductions from the financial statement.

Federal Insurance Contributions Act (FICA) - A tax imposed by the federal government on both employees and employers to fund Social Security and Medicare.

Federal Deposit Insurance Corporation (FDIC) - An agency of the U.S. government that manages the bank insurance funds, which insure deposits at banks and other qualified financial institutions.

Federal Service - National service is a common name for mandatory or voluntary government service programs (most often focusing on military service).

Federal Unemployment Tax Act (FUTA) - A U.S. federal law that imposes a federal employer tax used to fund unemployment benefits set forth by the Social Security Act of 1935.

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Fixed Assets - Property which ordinarily retains its original identity during its period of use, is not consumed or sold during its use, and has a considerable unit acquisition cost. On the balance sheet, these assets are shown at their book value (purchase price less depreciation). Examples include vehicles, furniture, fixtures, equipment, buildings, and building improvements.

Fixed Capital - Refers to any kind of real or physical asset (such as machinery and tools, land improvements, buildings, vehicles and equipment) that are relatively durable and can be used repeatedly in the production of goods. It is not used up in the production of a product. It is in contrast with capital such as raw materials, fuel and labor which are used up.

Fleet and Family Readiness (FFR) - Programs that are managed at CNIC and responsible for policy development, resourcing and oversight of quality life programs for Sailors and their families. FFR enables a ready Navy force through programs such as Family Readiness, Fleet Readiness and Housing programs.

General Ledger - The accounts which classify, in accordance with GAAP, a fund's assets, liabilities, net worth, income and expense.

Gratuity - (also called a tip) is a voluntary extra payment made to certain service sector workers (waiter, porter, etc.), often a percentage of the total billed.

International Balance of Payments - The system of accounting and reporting for DoD international transactions related to U.S. balance of payments data, including grants and credits extended to foreign countries.

Imprest Fund - Petty cash fund of a designated amount maintained at a constant level via replenishment of the value of vouchers paid out of the fund.

Income - The financial gain (earned or unearned) accruing over a given period of time.

Income Statement - A document generated monthly that reports earnings of an activity by stating all relevant income and all expenses that have been incurred to generate that income.

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Installation - For the purpose of this Instruction, installation is defined as any real property or area that is controlled, owned, or leased by the Department of Defense.

Internal Control - Comprises the plan of organization and all the methods and measures used by an entity to safeguard its assets, check the accuracy and reliability of its accounting data, promote operational efficiency, prevent fraud, minimize errors, and ensure that established managerial policies are followed.

Inventories - An itemized list of current assets listing the number, type, and value of assets owned at a point in time (e.g., 1 October), which have not yet been sold.

Inventory Turnover - See Turnover Rate of Inventory.

Investments - The active redirection of resources/assets to creating benefits in the future; the use of resources/assets to earn income or net profit.

Judge Advocate General (JAG) - The chief legal officer of a branch of the U.S. Armed Forces.

Liabilities - Amount payable in dollars (e.g., accounts payable) or future services to be rendered (e.g., warranties payable). Debts or obligations owed by one entity (debtor) to another entity (creditor) payable in money, goods or services.

Long-Term Liabilities - All debts that are not current liabilities, that is, debts that is not due until at least one fiscal year in the future. Examples of long-term liabilities are long-term loans payable, long-term pension and severance liabilities, etc.

National Credit Union Administration (NCUA) - The NCUA is the United States independent federal agency responsible for chartering, insuring, supervising, and examining federal credit unions (FCUs) and for administering the National Credit Union Share Insurance Fund.

Net Income - The amount of money an activity has earned after subtracting all of the expenses and losses of producing its goods or services from the income or revenue it has realized from sales of those goods or services for the reporting period.

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Net Worth - A measure of the basic monetary value of a business or entity. It is figured by subtracting the total dollar amount of all liabilities from the total value of all assets. Also know as equity, owner's equity or book value.

Nonappropriated Funds (NAF) - Nonappropriated funds consist of cash and other assets received by NAFIs from sources other than monies appropriated by Congress. They are to be used for the collective benefit of military personnel, their dependents, and authorized civilians who generate them. While they are considered government funds, they are separate and apart from funds which are recorded in the books of the United States Treasury.

Nonappropriated Fund Instrumentality (NAFI) - A DoD organizational and fiscal entity supported in whole or in part by NAFs. A NAFI, as an instrumentality of the U.S. Government, enjoys the same immunities and privileges as the U.S. Government in the absence of specific Federal statute. It is not incorporated under the law of any State, but has the legal status of an instrumentality of the United States.

Operating Expenses - Expenses incurred in conducting day to day activities, but not directly associated with production. Operating expenses include Administrative, Salaries and Wages, Employee Benefits, Supplies, Maintenance, Depreciation, Advertising, etc.

Operating Targets (OPTAR) - An authorization by designated official of a DoD Component making funds available within a prescribed amount to an operating agency for the purpose of making allotments and incurring obligations.

Other Expenses (non-operating) - Non-operating expenses are not related to NAFs primary operations.

Other Non-Current Assets - Other non-current assets consist of long-term pension benefit assets, receivables and investments. Pension Benefit Asset is reported when the Pension Plan is overfunded and is classified as a noncurrent asset. Refer to **Statement of Financial Accounting Standards (FAS) No. 158** and **Chapter 11** of this volume for reporting requirements.

Perpetual Inventory (or continuous inventory) - An inventory maintained on a daily basis, as opposed to a weekly or monthly basis where information on inventory quantity and availability.

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Petty Cash Funds - Are fixed amounts established by the NAF to handle minor disbursements. The Accounting Office provides the fixed amount to the individual appointed as the petty cash custodian.

Physical Inventory - Determining the quantity of inventory on hand through an inventory count (i.e., quantity, weight). By multiplying the quantity times the unit cost, the total inventory cost is derived.

Point of Sale System - A computerized network operated by a main computer and linked to several checkout terminals used in the place of a cash register in retail operations. Electronic systems that provide businesses with capability to retain and analyze a wide variety of inventory and transaction data on a continue basis.

Prepayments - The act of fully or partially paying off the outstanding balance of a loan at any point during the term of the loan at a time earlier than set out in the contract.

Program Revenue - Money generated from sale of goods and services of Fleet and Family Readiness Category "B" and "C" programs and activities. Account series 501XXX, 503XXX and 506XXX.

Receivables - A current asset that represents amounts due to the FFR Activity from the sale of goods and services on credit during the fiscal year. See Accounts Receivables.

Recreation and Mess Central Accounting System (RAMCAS) - CNIC central accounting system.

Resale - The acquisition and resale of merchandise and services conducted by FFR programs and their concessionaires. Specifically, excluded from this definition are user fees, interest, funds provided from APFs, and other sources of income not directly related to the sale or resale of merchandise and services.

Resale Revenue - See Revenue.

Retained Earnings - Increase or decrease in net worth that results from the operations of the fund. Earnings reinvested in the core business or used to pay off debt.

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Revenue - This is the total amount of money generated from sale of goods or services, or any other use of capital or assets, associated with the main operations of business before any costs or expenses are deducted.

Systems Applications and Products (SAP) - A German company which started in 1972 providing large enterprise customers with the ability to interact with a corporate database in real-time.

Secretary of the Navy (SECNAV) - This officer is appointed by the President and is the civilian head of the Department of the Navy and is responsible for, and has the authority under Title 10 of the United States Code, to conduct all the affairs of the Department of the Navy, including recruiting, organizing, supplying, equipping, training, mobilizing and demobilizing. The Secretary also oversees the construction, outfitting, and repair of naval ships, equipment and facilities. SECNAV is responsible for the formulation and implementation of policies and programs that are consistent with the national security policy and objectives established by the President and the Secretary of Defense.

Service Charge - An additional charge for a service for which there is already a basic fee. It is not voluntary and not the same as a gratuity or tip.

Tip - See gratuity.

Trade Payables - Amounts owed to trade suppliers and other suppliers for purchases or services rendered, social security and tax payables, prepayments by customers and other similar non-financial commitments.

Turnover Rate of Accounts Receivable - An accounting measure used to quantify an entity's effectiveness in extending credit as well as collecting debts during the year. A high, or increasing Account Receivable Turnover is usually a positive sign - showing the entity is successfully executing credit policies and quickly turning its Accounts Receivables into cash. A possible negative aspect to an increasing Accounts Receivable Turnover is the entity may be too strict in its credit policies and missing out on potential sales. Accounts Receivable Turnover is calculated by dividing the average amount of receivables into annual credit sales

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Turnover Rate of Inventory - A measure indicating the number of times a firm sells and replaces its inventory during a given period and calculated by dividing the cost of goods sold by the average inventory level. A relatively low inventory turnover may indicate ineffective inventory management (i.e., carry too large an inventory) or carrying out-of-date inventory to avoid writing off inventory losses against income. A high inventory turnover implies either strong sales or ineffective buying. This ratio should be compared against industry averages or CNIC benchmarks.

Uniform Chart of Accounts - A listing of the names of the accounts that an entity has identified and approved for recording transactions in its general ledger.

Uniform Code of Military Justice (UCMJ) - The foundation of military law in the United States, which applies to all members of the Uniformed Services of the U.S.

Uniform Funding Management (UFM) - The merging of appropriated funds (APF) and non-appropriated funds (NAF) for the purpose of providing morale, welfare and recreation (MWR) services under NAF rules and procedures. It is designed to facilitate: (1) The procurement of property and services of MWR and (2) The management of employees used to carry out the programs.

Working Capital - Also known as net working capital, it measures how much liquid assets a business has available to build its business. Working Capital = Current Assets - Current Liabilities.